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PUBLIC BUILDING PROJECTS OVERSIGHT

HEARING

BEFORE THE

SUBCOMMITTEE ON WATER RESOURCES,
TRANSPORTATION, AND INFRASTRUCTURE

OF THE

COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON THE

INTERNATIONAL CULTURAL AND TRADE CENTER, WASHINGTON, DC; FEDERAL JUDICIARY BUILDING, WASHINGTON, DC; AND COURTHOUSE ANNEX AND FEDERAL BUILDING, NEW YORK, NY

FEBRUARY 3, 1989

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PUBLIC BUILDING PROJECTS OVERSIGHT

FRIDAY, FEBRUARY 3, 1989

U.S. Senate, Committee on Environment and Public Works, Subcommittee on Water Resources, Transportation, and Infrastructure,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:08 a.m., in room 406, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the subcommittee) presiding.

Present: Senators Moynihan, Lautenberg, Reid, Graham, Lieberman, and Chafee.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator **Moynihan**. The subcommittee will be in order.

May I express a very warm welcome to our guests, our distinguished witnesses, and others.

This is a very special day for the committee to have the display of the new Judiciary Building competition. I want everyone to be sure to note that there are very distinguished entries on the other side of that panel—you might not be aware of that—including an entry by Kevin Roche, who is my colleague and friend, and who, Senator Lieberman notes, is a Connecticut resident. I would not want that to be overlooked.

If I can ask your indulgence, I would like to make an opening statement a little longer than normal and then turn to Senator Lieberman and then to our distinguished witnesses.

Today this subcommittee conducts an oversight hearing on the three most important Federal development projects of our generation. These are the International Cultural and Trade Center and Federal Office Building, to be located on the Federal Triangle site; the Federal Judiciary Building, to be built east of Union Station; and the Courthouse Annex and Federal Building to be constructed at Foley Square in New York.

The new Federal buildings at the triangle will complete Andrew Mellon's Federal Triangle. Those who have not read the legislation would be interested to know that we put in there a provision about that great Federal auditorium. The Interdepartmental Auditorium, as it is called, will be named for Mr. Mellon when it is all done.

It is a glorious enterprise. It will produce space two-thirds the size of the Pentagon and is yet not at all a massive enterprise; it will not break the building line of any kind. It is going to have a great effect upon the workings of our Government. If they can ever get agreement among themselves, Treasury, Justice, and State Departments will be dramatically consolidated.

The Treasury will go from 38 buildings in the city of Washington to four. Each of those 38 buildings represents somebody who became a millionaire with a lease from GSA, I have to say. The State Department will go from 16 buildings to three, and we will finally have a home for the Woodrow Wilson Center on Pennsylvania Avenue, as the statute establishing that center requires.

The jewel in the crown will be the International Cultural and Trade Center, and we are going to hear from Senator Percy on that subject.

Let me also say that we are going to also hear from Mr. Richard Hauser, the new director of the Pennsylvania Avenue Development Corporation, and we welcome him in his new eminence and responsibility, and we particularly take note of the conclusion of the service of Mr. Hank Berliner, who has presided over the most important phase of the avenue's development, up to and including the securing of the agreements for the triangle.

The Judiciary Building is a matter of great pride to all those people involved. Just as the Federal Triangle building completes the work of Andrew Mellon, the Judiciary Building completes the work of the McMillan Commission, named for Senator McMillan of Michigan, which was set up in 1901 when the Pennsylvania Railroad was about to build its railroad station right at the foot of Capitol Hill. He persuaded them to move to its present site. He arranged for a post office to be put to its west. It is Burnham's great gateway to the city, and now we will have a flanking building to the east, perfectly harmonious.

We will announce the winner later. I hope that you will agree that this has been a very thoughtful and successful process and one we know we could not have succeeded in without Chief Justice Burger, who spent 18 years trying to get this done. It is only the second time that the Congress will have built a building for the Supreme Court, and we are very pleased that we are able to do that, particularly one so very nice. We think of it as a building that will be there for the next two centuries, and we hope that you will agree that it is going to be a very attractive one.

Finally, we are going to talk about the Foley Square enterprise, which is the largest Federal project of its kind outside of Washington right now, again on the lease-to-own principle. I would like to make the point to our audience that every one of these projects will be built without a penny of Federal expenditures, save in the administrative routines that are already budgeted for.

We have devised a system to build and finance and then to own these buildings that is the work, I want to acknowledge, the inspired work, of Terence Golden, the previous Administrator of the General Services Administration. This will be the case in the Foley Square area of New York City as well.

I want to state—and I am going to ask the indulgence just another 2 or 3 minutes of the room—that both the first two projects are going very well. Foley Square is not going very well. Nothing is happening. I reached agreement with the mayor of New York City on this subject Christmas week a year ago. A formal agreement was signed March 11. We have now passed the time, since that meeting in City Hall, that it took Al Smith to build the Empire State Building.

The sluggard pace of the enterprise is nothing new. We are, in this committee, no stranger to agonizing delays in public projects everywhere. But what alarms me is the seeming lack of interest in this enterprise in New York City.

There are two exceptions. The Federal Bench in the Southern District has pursued the matter with all the energy that judicial restraint allows. We would not be here today save for Judge Constance Baker Motley and Judge Charles L. Brieant, Junior.

The other exception is Mayor Koch, who quickly saw the city's interests in the hugely advantageous terms in which the enterprise would go forward. And the list ends there. No one else seems in the least interested. You would suppose at least the Bar Association might bestir themselves; not even them.

Foley Square is named for Thomas F. Foley, the sheriff of New York City and the leader of Tammany Hall and the sponsor of Al Smith. For all they were denigrated, those folk had the capacity to undertake and complete great municipal enterprises.

Louis Mumford has said that, in a city, time becomes visual, and you can see that era in New York City. From the Tweed Courthouse which, why not, is a landmark, to the Triboro bridge, which was built by Al Smith's protege, Robert Moses, we had almost a century of triumphant public works. We broke the system that had such energy, and we have not replaced it. It is perhaps a blessing that we do not seem to know this; yet, because of our incompetence, nothing is built at Foley Square, and the square itself is not redesigned and revived. Have no fear; no one will notice.

Now, if I may ask my colleagues to indulge me, first I would like to turn to our very distinguished ranking member of the committee and of the subcommittee who was associated with these enterprises for so very long, Senator Chafee.

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator CHAFEE. Thank you, Mr. Chairman.

I looked out at this panel and was wondering if I was in the right room. What is the gathering here? We have great figures here from the arts, sports, politics, and government. I am looking forward to hearing what they have to say. I was not sure of the connection between them and the Judiciary.

Senator MOYNIHAN. All in good time.

Senator CHAFEE. We will find out and that is what makes this an exciting committee. We have discussed before the construction of Union Station and the construction of the post office next to it, so I am looking forward to this fitting right in. I am ready to go.

Senator MOYNIHAN. I might just say that Senator Chafee was absolutely indispensable in saving Union Station at a time when the roof was leaking and the place was abandoned, and also in saving the old post office for what we are agreed will be a national philatelic—stamp collection museum.

Have we got stamps. This is going to be quite an enterprise.

Senator Lieberman, good morning, sir, and welcome to the subcommittee.

OPENING STATEMENT OF HON. JOSEPH I. LIEBERMAN, U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator LIEBERMAN. Thank you, Mr. Chairman.

I am delighted to have been chosen to be on this subcommittee, and particularly to serve under your leadership. Your opening statement realizes my expectations for what the service will be like because I know what you bring to this committee and to public buildings helps to encourage and oversee the sense of history and civility and purpose that you bring to your service in the Senate generally. I know you have been a real leader in not only the preservation but the reincarnation of Pennsylvania Avenue.

I was thinking as I was sitting here listening to you that several years ago, after coming out of law school, I was convinced by the late then-president of Yale, Kingman Brewster, to come back to Yale and serve as assistant dean of architecture for 3 years, primarily to keep the peace during a tumultuous time on campus.

Over the years, when I returned to law practice and public service, I wondered why I had spent those 3 years there, and now I understand that it was all preparation to serve on this subcommittee. The Lord works in strange and mysterious ways.

I am particulary happy to be here today to hear about these three very exciting projects. I am pleased, at least for 6 years, to look forward to being a resident of the District of Columbia and so have an interest in these buildings. As an attorney, I have spent a fair amount of time in Foley Square as well. So it is with a real sense of excitement and appreciation that I look forward to serving with you and to this hearing today.

Senator MOYNIHAN. And how very much we welcome an assistant dean of architecture.

Senator Graham.

OPENING STATEMENT OF HON. BOB GRAHAM, U.S. SENATOR FROM THE STATE OF FLORIDA

Senator GRAHAM. Thank you, Mr. Chairman.

I would like to join in the remarks of Senator Lieberman and also say how excited I am at hearing the progress that is being made on these three important projects.

Obvious is that public architecture is the strongest statement which each generation of culture leaves for the next as to what its values were and what its aspirations were and how it saw the human condition.

What is particularly exciting to me about these three projects is that they add additional elements. One is the fact that we have enough self-confidence that we can engage in public-private partnerships without feeling that in some way the public interest is going to be degraded, and that we can incorporate non-traditional uses into public spaces.

I hope that the success of these enterprises will be such that we can have a product that can be exported. The Federal Government will, over the next decades, be engaged in many major public construction projects, and I hope that the lessons that we are going to learn here will be infiltrated into those future important Federal public buildings.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Can I just agree with you in that regard. We are starting something new here that need not, in any way, stop.

Senator Reid.

OPENING STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM THE STATE OF NEVADA

Senator REID. Thank you, Mr. Chairman.

I would ask your permission to allow insertion into the record of a statement that I have prepared.

Senator MOYNIHAN. Without objection, of course.

Senator REID. Thank you.

Mr. Chairman, you mentioned someone that I think deserves a little bit more attention, and that is Terence Golden. I have been in public service most all my adult life, and while I always try to pat on the back those who are members of my political party, I think in this instance Terence Golden deserves all the accolades that we can give him.

Senator MOYNIHAN. Yes.

Senator REID. I think the work that he did as head of the GSA is something that this country will benefit from for many, many years to come. I know that his work with this subcommittee was outstanding. He allowed some innovative things to take place. I was totally impressed with the work that he did, some of which has borne fruit in the State of Nevada.

I would also say, Mr. Chairman, that during this past year I have learned that he has had a very ill wife, and he is now working gratis with the Washington, D.C., school authorities to try to come up with a plan to improve the educational system in the District of Columbia. If his efforts there are just a little bit as successful as his efforts as head of the GSA, I am sure the young people in the District of Columbia will benefit significantly.

In addition to that, Mr. Chairman, not only are these buildings going to be architecturally sound, and add significantly to the beauty of this already beautiful city, but the fact of the matter is that we need the space very badly. As indicated in some of the staff reports that I have reviewed, the space that will be constructed is something that will be used by Federal employees the minute it is put into place. So not only is it architecturally sound; it is also sound from the standpoint of good management.

I, with the other members of this subcommittee, look forward to what, I am sure will be, outstanding testimony that will be taking place.

Senator MOYNIHAN. I thank you, Senator.

May I just comment that how right you are in that last regard, so the quicker we get this done, the quicker we begin saving money from it.

Senator REID. Absolutely. And, Mr. Chairman, if you will allow just one more brief comment, I also think it sets an example of what we, as a subcommittee, must look at across this country, because we are spending multi-millions of dollars renting space.

Senator **MOYNIHAN**. $1.7 billion per year.

Senator **REID**. And if Nevada is any example, it is hit and miss. We have the DEA here and the U.S. Attorney here and the Federal public defender there—very, very inefficient. I think the example we are setting here will help make our job around the country easier.

[Senator Reid's statement follows:]

OPENING STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman, thank you for conducting this hearing today to discuss the status of three important public buildings projects: the International Cultural and Trade Center/Federal Office Building which will complete the Federal Triangle; the new building for the Federal Judiciary, to be constructed on Capitol Grounds adjacent to Union Station; and the new courthouse annex and Federal municipal office building planned for Foley Square in New York City.

These public buildings are sorely needed. The International Cultural and Trade Center and Federal Office Building will be the nation's second largest Federal office building, providing 1.9 million occupiable square feet. The new Judiciary Office Building will house over 800 Judiciary employees. And, the last proposal will provide for the construction of two separate buildings to be constructed in lower Manhattan, the 800,000 square foot U.S. Courthouse and the 800,000 square foot Federal municipal office buildings. Mr. Chairman, I recall horror stories about the overcrowded conditions in existing space, when this Subcommittee first considered this proposal during the last Congress.

All projects will serve a critical need. By consolidating employees located throughout the area, efficiency in government will be enhanced. Aside from consolidating services, all projects provide unique advantages. For example, the ICTC will provide space for essential diplomatic and trade functions, educational programs and cultural activities. The site of the Judiciary Building, located on the Capitol Grounds, has been designated for this purpose under the Master Plan for the Capitol completed in 1981. Finally, the Foley Square Courthouse Annex and Federal/Municipal Office Building in New York will address the critical overcrowding of the Federal courthouse space in the busiest circuit in the United States. Significant cost-savings will be realized as well. Certainly money will be saved because of consolidation of employees. But, all projects involve a creative financing mechanism, providing for ultimate ownership of the buildings by the Federal Government.

I welcome the witnesses before us today who will enlighten us as to the progress made in seeing these projects to completion. Thank you.

Senator **MOYNIHAN**. Thank you, Senator.

Now we turn to our revered and distinguished colleague, Senator Percy, who, in consideration of sums made available for the purpose, is serving now as chairman of the International Cultural and Trade Center Commission. I think your pay is one dollar a year, as I understand, but it all adds up.

Senator **PERCY**. Treasury promises not to pay it.

Senator **MOYNIHAN**. If you can get it out of Treasury.

I see that your vice chairman, the Honorable Harry McPherson, is with you. If you would introduce the others of your panel as you wish and proceed as you desire, we would be very pleased. We are honored to have you back, sir.

STATEMENT OF HON. CHARLES H. PERCY, CHAIRMAN, INTERNATIONAL CULTURAL AND TRADE CENTER COMMISSION, ACCOMPANIED BY HARRY McPHERSON, COMMISSION VICE CHAIRMAN; AND JUD SOMMER, ABE POLLIN, MICHAEL GARDNER, ESQ., KEN SPARKS, AND MIKE NEWELL, COMMISSION MEMBERS

Senator Percy. Thank you very much, Mr. Chairman, and good morning to you and Senator Chafee, Senator Graham, Senator Reid, and members of the very able staff that I have been pleased to get to know reasonably well in the last few months.

It is a great pleasure to be with you this morning in my capacity as chairman of the United States International Cultural and Trade Center Commission. This is, by the way, my first testimony before the Senate since I left the Senate in January 1985, and it is a most appropriate and exciting occasion for me.

I would like to first congratulate this committee for its leadership in launching such a unique and creative enterprise. It really resolved a 25-year battle that has gone on between the President of the United States and the Congress as to what really was important enough to go in the Federal Triangle. It is the most expensive parking lot in the world today.

In the President's letter to me dated April 13, 1988, asking me to undertake this responsibility, he said, and I agree with him:

> America faces no more important challenge than improving its competitive position worldwide. The International Cultural and Trade Center, under your leadership, will become an important symbol of our national resolve—public and private—to meet this challenge head on in a constructive, mutually beneficial manner.

I would ask that the entire letter be incorporated in the record, and I am sure he meant, also, the entire Commission in the leadership that we will try to provide to this effort.

Senator Moynihan. Without objection, it is so ordered.

[The letter referred to follows:]

THE WHITE HOUSE
WASHINGTON

April 13, 1988

Dear Senator Percy:

Last August I signed P.L. 100-113, authorizing the United States International Cultural and Trade Center to be built within the Federal Triangle on Pennsylvania Avenue. The International Center will be the centerpiece of what I hope will be one of Washington's most significant Federal buildings.

I would like you to serve as a Member and Chairman of the International Cultural and Trade Center Commission, which will oversee the establishment, operation, and maintenance of the Center. Your background in business, government, and public service; your experience in foreign affairs, and your personal commitment to improving the United States' trade position make you ideally qualified to undertake this important initiative.

The Center provides a unique opportunity for America to develop creative reciprocal arrangements with other nations regarding trade, cultural exchange, and consular activities. The Center's program of informational, cultural, and educational events will provide a basis for expanding or improving accommodations for our Government's endeavors overseas.

You will have the wholehearted support of this Administration as you undertake this assignment. In particular, I am asking the Secretaries of State, Commerce, and Agriculture; the Director of the United States Information Agency, the United States Trade Representative, and the Administrator of General Services to give the Center special attention and to commit the necessary resources to make the project successful. I also believe that you will find the Congress, which passed the legislation unanimously, most eager to assist you with this project.

America faces no more important challenge than improving its competitive position worldwide. The International Cultural and Trade Center, under your leadership, will become an important symbol of our national resolve -- public and private -- to meet this challenge head on in a constructive, mutually beneficial manner.

Sincerely,

Ronald Reagan

The Honorable Charles H. Percy
Charles Percy and Associates
Suite 907
1660 L Street, N.W.
Washington, D.C. 20036

Senator PERCY. I am proud now to introduce the other private sector members of the Commission who are able to join us this morning. First, I am joined at the table by the Commission's distinguished vice chairman, the Honorable Harry C. McPherson. Harry played an important part in bringing this exciting project into being when he served as president of the Federal City Council.

Senator MOYNIHAN. We welcome Mr. McPherson.

Senator PERCY. We also have on his left Commissioner Michael Gardner, attorney; Abe Pollin, entrepreneur; and Jud Sommer, finance executive.

Mr. Donald Brown, developer, who also played an important role in the early days of this project, is out of town today and could not be with us.

We have Ken Sparks, our president, and we have also with us today Mike Newell, who has been working so closely as a top executive with Ken through the years in bringing this project to fruition.

Senator MOYNIHAN. Mr. Sparks and Mr. Newell, we are happy to have you.

Senator PERCY. But these Presidential appointees, plus nine ex officio members representing key Cabinet and sub-Cabinet agencies, have been hard at work since April 29, 1988 when the Commission first met, organizing and putting the initial program in place.

Presidential appointees are appropriately bipartisan, three Republicans and three Democrats. We are working harmoniously, hard, and well together.

Our Cabinet members have each attended at least one meeting and, often as not, when they could not be present, they were represented by the Deputy Secretary or equivalent.

Your legislation provides that we must meet at least three times a year. In the past 10 months, we have met and held eight formal meetings and ten informal meetings. That is 18 meetings in 10 months that we have held, and innumerable conferences and meetings as well. I am happy to report that, as a result of this, I think we are off to an excellent, hard-working start with the Commission.

This morning I will describe some of the programming concepts that are being developed for the Center, both for the long and short term, and then I will ask for your counsel and assistance in resolving several items, a few of which may require legislation.

Mr. Chairman, for a number of reasons, the United States has an extremely serious trade problem. Either in business or in the Senate, I have been engaged in foreign trade for some 40 years, having grappled with this problem all over the world, but today we do have the most serious problem we have ever faced in this country with respect to foreign trade.

We are importing more than we are exporting by more than $10 billion a month, and although significant progress was achieved in 1988, most experts feel that it would be extremely difficult to sharply reduce the deficit in 1989.

I would like to insert at the end of my comments an article from this week's Washington Post by Stuart Auerbach, the headline, "Why the Trade Deficit Won't Improve," the subheading, "Trade Problems End Bush's Economic Honeymoon."

Senator MOYNIHAN. Without objection. It sounds ominous, but without objection. (See p. 57.)

Senator PERCY. And it is quite significant that today, this week, our first first chief of state visitor to be invited to meet with the President is the Prime Minister of Japan.

Were it not for the ability and willingness of West Germany, Japan, and certain other Eastern Pacific Rim countries to finance our deficit, we could not operate. We are beholden to them, and that is why trade is one of the most important single issues being discussed by the respective cabinets and the chiefs of state right now, and it will stay that way until we face up to the fundamental causes of our trade deficit.

For a number of reasons, we have had this trade problem, and most experts feel that it will be extremely difficult to sharply reduce that deficit in 1989. It is a primary responsibility of ours, and that is the challenge that has been put to us—to help work together to coordinate the effort to bring this trade deficit down, not when we finish the Federal Triangle buildings but beginning 10 months ago. That is when we began working on our responsibility.

Just what combination of policies can begin to bring our exports and imports into balance in the relatively short term is a proper matter for debate. In the long run, it is clear that America needs to strengthen its commitment to trade and to actively and aggressively involve more Americans in the process.

Today fewer than 2,000 American companies out of the tens of thousands of companies in this country account for 80 percent of our export trade. It is absolutely unacceptable that this condition can exist today, but it does, and that is just one of the reasons for our trade deficit. It is essentially a challenge and an opportunity not being faced by enough medium-sized and small-sized businesses; it is being done mainly by less than 2,000 of our larger corporations. We must become far more export- and foreign-trade conscious as a people and nation, and that, Mr. Chairman, is where we feel the new Cultural and Trade Center can make its most significant contribution. We see as our central mission elevating the awareness of all Americans as to the importance of trade to their own individual and collective well-being.

And, since trade and cultural understanding are so closely bound together, the Center's proposed programs are designed to not only inform our people on the nuts and bolts of trade but provide that information in as rich a cross-cultural setting as is humanly possible. Only by understanding other cultures, their customs, their needs, their desires, can we truly expect to increase the goods and services which we sell abroad.

With this in mind, we are proposing several exciting activities of the new Center. You have in front of you some illustrations that have been prepared to heighten each activity. Assisting me is Bob Ogle, a senior executive from Johnson & Johnson and a Presidential executive exchange fellow serving as special assistant to the U.S. Trade Representative. He is working with the Commission to help us in developing programs and policy concerning trade because Johnson & Johnson is one of those companies really doing a great job with 56 percent of their sales being international.

Senator MOYNIHAN. We welcome you, sir.

Mr. **Ogle**. Thank you.

Senator **Percy**. The first phase of our program we will talk about is the one-stop Trade Information Center that we envision, where it will be our goal to be able to answer 90 percent of all the questions that business executives might ask concerning international trade. The trade specialist should also arrange through the Center to help the prospective trader get to the answer to the other 10 percent by way of referral.

Just one example: Passports usually issued by the State Department could be issued at the Center, and those foreign nations requiring visas could issue them also at the Center, so it will be a one-stop operation instead of someone cross-cutting across town for 3 or 4 days to put his or her trip abroad together. And there the experts from those countries, the trade ministers and cultural ministers could be with us in one building, and one facility.

Second, a Trade and Cultural Conference Center will be built, where actual trade negotiations as well as conferences and meetings will take place.

Third, an Education and Training Center, where business people can learn how to trade and how to win friends and markets overseas. Courses would be taught on trade policy, trade finance, trade operations, area studies, and language. Working with existing institutions, we believe it will be possible to provide thousands of business men and women with badly needed training each year.

Fourth, a Reception Center, where those countries which lack adequate facilities or all others who wish to can host a state dinner with appropriate decorum and security.

Fifth, chancery annex office space, where commercial attaches, consular officials, cultural attaches, trade and other missions, as well as representative offices from international organizations and from each of the 50 States and territories and the major cities in this country, will maintain information offices. I have talked to enough governors and mayors to know that our problem will be where we will house all of those that will want to be down there.

I need not remind you, Mr. Chairman, that the New York World Trade Center, one of 45 or 50 around the world, has now grown to 11 million square feet, and that is just for one State and one city, much less the United States. You should see the estimates on what will happen to property and what will happen as companies start to congregate around our United States International Cultural and Trade Center in Washington, D.C. It will have the same kind of growth every other trade center in the world has had. They never have built one of them that was ever big enough.

Sixth, an International Exhibit Center where each of the regions of the world will be represented with a permanent exhibit area featuring a major attraction designed to showcase that part of the world. Around the central attraction, countries will be allowed to have exhibits which promote their culture, their trading interests, and tourism.

Seventh, specialty shops where merchandise and foodstuffs from around the world will be available for sale. Roughly 130,000 square feet has been reserved for this function.

And, finally, an International Performing and Cinema Arts Center, where the world's great artists and more specialized attractions can be presented on a regular basis. We have planned a 1,500- to 2,000-seat performing arts theater that could be available for the celebration of not only States' days but each country's national days could be celebrated there, and we will also have two film theaters, a rehearsal hall which could also be used for special presentations, and an IMAX or special film facility where the trading equivalent of the Smithsonian's film "To Fly" would be played constantly.

Mr. Chairman, I should point out that the reciprocity provisions of the Foreign Missions Act, which I was pleased to work with Senator Ervin on as co-sponsor, would apply to foreign governments' activities in the center. In other words, as we provide space to service the needs of foreign governments, we will have the right to seek similar accommodations or some other quid pro quo for our own activities in those countries.

Now, Mr. Chairman, we believe that this combination of facilities, in conjunction with compatible U.S. Government office space—such as the State Department's Passport Office, USIA, which would include World Net and the Voice of America from which visiting chiefs of state could conveniently televise or broadcast to their own countries when they visit our Center, the Woodrow Wilson Center, parts of the Departments of Commerce and Agriculture dealing with international trade—would make for precisely the kind of internationally focused program which this country so badly needs.

My only regret is that it will take approximately 5 years to have the building. You are cordially invited to attend the groundbreaking. You are cordially invited also to attend the dedication because we want to honor this committee when we actually open the Center, which we will try to do at the earliest possible time.

In the meantime, though, we have already offered to work with the Bush Administration to see what kind of programming we can do that would both help America's trade situation now and set the stage for the more comprehensive programming we will be able to undertake in the future.

For example, we are now exploring, with the administration, hosting a major conference of top leaders from the private and public sector as well as labor and academia, about 1,500 CEO's and guests would be invited to Washington in what we are calling a Trade Mobilization Summit. We would hope to undertake many such conferences and educational programs each year until the Center opens in 1994.

As you can see from this listing of programming concepts, we have been very active these past 10 months. We will be even more active in the months ahead. I want to compliment my fellow Commission members for their creative efforts.

Finally, I would like to suggest some area where we need some help from the committee and from the Congress in order to develop the Center to its fullest potential. First, it is necessary to resolve quickly the matter of Federal tenancy.

As you know, there apparently was some misunderstanding at the time this legislation passed Congress as to whether the Department of Justice was to be accommodated in the Center as the major tenant. Attorney General Meese and the then GSA Administrator actually signed a memorandum of understanding in March 1988 that would have given nearly all of the Federal office space in the Center to the Justice Department for consolidation of its operations.

As I mentioned earlier, the Commission did not come into existence until April 29, 2 months later, so it was not a party to this agreement. I never knew about it when I was asked to take on this responsibility; not a single commissioner did.

As soon as the Commission was advised as to the nature of the agreement, it voted overwhelmingly to support USIA; expressed desire to be the principal U.S. tenant and to help the Justice Department consolidate elsewhere in the city. We have, however, expressed interest in accommodating those agencies of the Justice Department which would be compatible with the Center's international interests. You and the leadership of this committee, as well as the leadership of the House Public Works Committee and many other key Congressmen and Senators, have all come forward to firmly support the ICTC Commission on this matter, but to date the issue is unresolved.

We believe that GSA Director Austin has done all that he could to accommodate the Justice Department, but so far without success. The Department of Justice has not yet seen fit to seriously consider other alternatives, many of which are available. Mayor Barry and Deputy Mayor Carol Thompson have worked with us on this.

We have offered many different options. We have taken it as a responsibility of ours to help Justice consolidate because of this Memorandum of Understanding. We think we have presented viable alternatives. We just simply have not had a positive reply back.

Needless to say, we believe that the Center cannot succeed in its mission if space in the Center is occupied to any significant extent by the Department of Justice.

Senator CHAFEE. Mr. Chairman, Senator, could I just ask, for the purposes of the committee, when you distinguish between the Center and the office building and ground, you are talking about the Center?

Mr. POLLIN. No, we are talking about the office building.

Senator CHAFEE. You are talking about the office building, also.

Senator PERCY. Yes, right.

Foreign governments, for instance, would simply not participate under these conditions and John Whitehead, Deputy Secretary of State, has recently said that if Justice becomes the primary tenant of the Federal building it would be a disaster for the whole international concept of the complex. It could doom the whole center. It could doom the whole concept of an international cultural and trade center.

What we are going to be judged by 100 years, 50, 25 years or 10 years from now is what we have done that will create something that will move on this massive problem of our trade deficit in what we have done to fulfill the other goals and objectives of the Federal Triangle legislation.

Certainly we feel that the Justice Department, on the other hand, does need to consolidate, as so many Federal agencies need to consolidate their operations and activities, and anything this committee can do to help us and work with agencies of the Government to help the Department consolidate, we would certainly appreciate, and we will enjoy working with you.

We also need the committee's help this year with some correcting amendments to the enabling legislation. Many of these were anticipated by the committee at the time the legislation was being considered. For example, it was impossible to know at the time just how the Commission would wish to organize or what level of funding it would require. As an interim step, a limitation of 15 staff positions, only ten of which could be direct hires, was imposed until the Commission could get organized and describe what would be required to operate.

Likewise, an annual limitation of $1 million, to be provided through reprogrammings of our constituent agencies, was established as a spending ceiling. Although the Commission can live with these ceilings through September of this year, it is clear that we will need relief to operate effectively next year.

We have a management study under way to determine just what staffing and financial needs are anticipated. Peat Marwick is working with us on this, and we would expect to be able to share the results with the committee in a few weeks. Preliminarily, I would expect that we would be asking for a small appropriation annually until the Center is established and able to sustain the Commission's activities.

I would also suspect that we would want to operate the day-to-day activities of the Center more like the Kennedy Center or the Smithsonian, as a non-profit entity rather than as a Government agency. I would anticipate recommending that the Commission be retained to set policy and to account for Federal funds, but that a non-profit be chartered to handle daily operations. It is our belief that the many business and artistic decisions the Center will have to make can be better accommodated in that manner.

I also feel that consideration should be given to adding the Secretary of Treasury and the Secretary of Labor to the Commission as ex-officio members. I have contacted those in the Reagan and Bush Administrations, and they feel, also, that they have a real stake in the trade deficit and can help do something about it. Labor is a very, very important part of it, and Treasury has set up a study group on competitiveness with which we would like to work. So they would both be logical and welcome additions to the Commission.

Finally, the limitation of ICTC activities to 500,000 occupiable square feet should be removed. The limitation was intended to assure that Federal office space would be the predominate use of the building, and that objective will clearly be met. It will simply make program planning and future operations smoother if we can be guided by project needs rather than by arbitrary space allocation. We will work closely with your staff in defining how we would suggest modifications.

Once again, I want to commend you and the members of the committee for the truly inspired, outstanding work that you have done. We have enjoyed working with you. We hope the Center will offer a long-term solution to the problem of how to deal with the trade crisis and make America truly competitive once again.

We look forward to working with you. I would ask that the full text of my testimony be included to complete my testimony.

Senator MOYNIHAN. Of course.

Senator PERCY. My fellow commissioners and I are happy now to respond to any questions you may have, and I thank you.

Senator MOYNIHAN. What extraordinary testimony and what extraordinary plans.

Can I just take a somewhat nostalgic moment here? When the Pennsylvania Avenue Commission finished its plans in 1963 and presented them to President Kennedy just before he left for Dallas, we had very much in mind that the then cultural center further up the Potomac, if you like, really was not where it ought to be; that those theaters ought to be on Pennsylvania Avenue, and maybe break them up into the three component parts and distribute them along.

We were thinking of the District Building to be an opera house, the National Theater to be across Pennsylvania Avenue. And now, sir, you have come along and done exactly what we planned to do. In the aftermath of the assassination, someone proposed that the Center be named for the President, and that is how it suddenly went forward, but here we are again.

I would just like to say that the committee will take very seriously those small legislative changes you want, and I am sure we can bring them about. Clearly, we will try to meet with representatives of the Justice Department and Mr. Austin, the GSA director, who is here, to work out this space allocation. I, for my part, did not know how seriously you took it and that it was that much of an obstacle to your planning, and we have to get rid of it, that is all. There is an answer to those questions, and if we need to do more for Justice elsewhere, we will try to do that.

But I do not want to monopolize this. Senator Chafee?

Senator CHAFEE. Thank you, Mr. Chairman.

This is certainly thinking big, and we applaud you for that. I have to familiarize myself with all of this.

You have given some excellent testimony here, and I agree with the chairman that those legislative problems you raise, we ought to be able to work out. How we are going to accommodate the Justice Department I do not know, although I think you are right. It would not be appropriate to have the Justice Department in a building that we are trying to invite a whole series of other nations to come into.

Senator PERCY. Senator Chafee, if some country offered us that opportunity to share a building with their comparable agency, we would not accept that. We cannot expect other countries to do it, either.

Senator CHAFEE. Suppose we put the FBI there. How would that go?

Senator PERCY. Well, that *is* in the Justice Department but they do have their own building.

Senator CHAFEE. Let me just say—and this is just a preliminary shot at the thing, and Mr. Pollin has had a lot of experience in these things—I have a little reservation about the Performing and

Cinema Arts Center. We just seem to have so many performing arts centers around, and one more—I just think you are going to have trouble using it effectively, but you have given more thought to this than I have.

I am not trying to throw cold water on this; I am just trying to think through some of the suggestions you have, which I agree with, but I have some hesitancy in that particular part. So we will just do everything we can to be supportive. Thank you.

Senator PERCY. Could I comment on that? Having served representing the Republican side of the Senate on the Kennedy Center board for 18 years, and 12 of it as vice chairman, and working very closely with Roger Stevens and Harry McPherson on it, there is a real shortage of performing arts and exhibit space. With 18 million visitors in DC each year now, and projections for the future are going—and a million of those visitors this year will be from out of the country—we anticipate this will be one of the largest centers that visitors to Washington will want to come to.

The estimates made by our consultants are that it will be 4 million to 5 million visitors that we can expect at the U.S. ICTC and Federal Triangle by the time we open, is far mre than most other Washington, DC attractions, so that we know we need the facility for all types of things, such as artists from abroad, celebrating National Days of other countries, art exhibits from countries and regions of all over the world.

The most enthusiastic about the prospects is Roger Stephens, Chairman of the Kennedy Center, now serving as a "dollar-a-year" advisor to us and leaders like Dillion Ripley, President Emeritus of the Smithsonian and Ambassador Wachtmeister, Dean of the Diplomatic Corps who is excited about the fact that there will be a place in the U.S. Capital where countries could then have their ability to share their culture with the millions who visit the Center. It would all have an international flavor to it.

Senator CHAFEE. I was not suggesting that the bazaar or the exhibit center would not be good. I was just thinking of the Performing and Cinema Arts Center.

Again, I have too little knowledge to know. We are fresh from being burned by the Union Station situation a few years ago, not that this is a totally comparative endeavor. But in any event, I am not here to dampen anybody's enthusiasm.

Senator PERCY. I know that and we appreciate your comments and the questions you raise for our review.

Senator CHAFEE. Thank you.

Senator MOYNIHAN. Senator Lieberman.

Senator LIEBERMAN. Senator Percy, good morning.

As a newcomer to the Senate, I believe, for some limited period of time, that I am able to ask naive questions. Is that true, Mr. Chairman?

Senator MOYNIHAN. And after a while, naive questions are thought not to be the result of being new any longer but just sort of very cleverly eliciting naive answers.

Senator LIEBERMAN. Thank you for that long-term encouragement.

I want to ask you a few questions about this problem of Federal tenancy. Let me understand what the problem is with having the

Justice Department there. Is it that you think there would be a better synergy if there were trade-related and foreign-related agencies, or is it that there is something negative about having the Justice Department there? After all, people go into buildings and have tenants somewhere else in the building that they would never socialize with or whatever. So what is the problem?

Senator PERCY. Senator Lieberman, it is both. It is the fact that there will be a huge demand for internationally related, Federal office activities, and USIA is a prize example. The location would be perfect for them, and they are very excited about it.

We have tested country after country who say that if Justice Department is the primary tenant in the FOB it is an entirely different thing. Justice has security requirements far in excess of USIA or other internationally related agencies. We want as much openness and freedom of movement as possible. We have said to Justice that INS (Immigration and Naturalization Service) dealing with a large number of people coming in for services would fit naturally. We have made provisions for them that would open up a whole building next to the principal Justice Department building where INS is now located. We would welcome the part of Justice, but I feel that opening it up other than that would cause foreign countries to just simply say, "this is not for us."

Senator LIEBERMAN. So you have done some actual market testing here, and foreign countries have indicated this?

Senator PERCY. Yes. I have talked to large countries, small countries. The State Department especially feels strongly as do other departments. But they all understand that Justice, like them—wants permanent space, and we want to work with the Justice Department or help in any way we can. Justice as the primary tenant is not what Congress and the Executive Branch as a whole had in mind, and it would just, I think, be a tremendous risk. Yes, you would easily rent all the space; it would take care of that part of the Federal Triangle project. But I can guarantee you we will have no problem whatsoever finding Federal occupants who will want to be there and who are directly related to international, cultural, trade and education.

Senator LIEBERMAN. So that if you had your "druthers," you would rather not have Justice have any of the space. Is that fair to say?

Senator PERCY. Other than INS.

Senator LIEBERMAN. Other than INS.

Senator PERCY. Yes.

Senator LIEBERMAN. USIA would be the first choice to occupy the Government part of the building?

Senator PERCY. USIA would be the first choice of the Commission, yes.

I would like very much to have my other colleagues join in this and other issues.

Senator MOYNIHAN. We would be happy to hear from any commissioner.

Senator PERCY. Why don't each of you just volunteer?

Mr. MCPHERSON. Just for clarification, what we are talking about is about two-thirds of the space, which is the United States Government office space. The third of the space that we are particularly responsible for is not the subject of this conversation. It will be affected by who is in the other part of the space, whether it is one building or three buildings.

Some of us, like me, would prefer to have three buildings and have a Woodrow Wilson International Center for Scholars in its own discrete building, an International Cultural and Trade Center, and then the big Federal office building.

But whatever you put there is going to have an impact on the rest of it. It is our hope that this last part of the Federal Triangle will be devoted to and concerned with international matters, not the ordinary domestic bureaucracy of the United States. It would be our hope that that would be the centerpiece of the triangle from an international point of view.

Senator **Lieberman**. Senator Percy, if I may, I have a copy of a statement to be issued, I suppose this morning, by Richard Austin. If it is appropriate, I would like to ask a question from it, because he suggests that there would be an additional $10 million of annual savings by putting the Justice Department in this facility as the dominant tenant, as opposed to a combination of USIA and Justice.

Would that affect your judgment on it, or is the potential for earnings well beyond that differential?

Senator **Percy**. We are just as interested as this committee, I can assure you, in saving as much as we possibly can. We have to work both or several objectives of the project together.

Ken, would you want to comment on that, or would any of you?

Mr. **Sommer**. I think Ken would.

Senator **Moynihan**. Mr. Sommer? Mr. Newell?

Mr. **Sparks**. Mr. Chairman, I would be glad to take a crack at that. We are very sensitive to the need to save money, but what we are suggesting here is that the functioning of the International Center is so severely threatened by having the Justice Department as the principal tenant that what we are trying to build here just cannot succeed.

If what we are trying to do—a concerted government wide effort with the private sector to promote increased trade—does succeed, the impact on the trade deficit and the impact on America's economy in the long run should far exceed the tens of millions of dollars that we are talking about in savings in rental space here.

I think it is important to note that we save significant money for the Federal Government with USIA as the principal tenant in this building as well, and in both cases there are savings to be obtained by consolidating and by moving from leased space into owned space.

Mr. **Gardner**. Mr. Chairman, let me add to what Ken just said.

Senator **Moynihan**. Mr. Gardner?

Mr. **Gardner**. One of the concepts that we think is so important is the first point you mentioned, the synergism, and with USIA as a tenant, and not necessarily the main tenant but consolidated in that Federal complex along with INS and other parts of the Federal Government, we see an opportunity, really an exciting opportunity with the high-tech complex we will have there, to showcase U.S. goods abroad much better through the apparatus that USIA operates; for example, World Net or VOA. These are functioning daily transporters of information out of the United States.

We expect to see heads of countries, trade delegations, all sort of entities coming to the Center and, with their presence, news, interest from the foreign press, we think that the U.S. goods and technologies which will be at the Center will be better showcased if we create the synergism that a tenant like the USIA provides.

Senator **Moynihan**. Thank you.

Senator **Graham**. Thank you, Mr. Chairman.

I would just like to pursue that line of questioning one step further. What have the administration or the individuals who were involved in signing this agreement with the Department of Justice given as the rationale for that beyond the potential monetary savings?

Senator **Percy**. OMB has worked on this in the Reagan Administration. We worked right up until 3 hours before the swearing in of President Bush. We thought we could reach agreement; we hoped we could. But we just simply could not get a consensus together of the Reagan administration because Justice still objected.

Mr. **McPherson**. Senator Graham, if I could respond, also, I think, as a political veteran, you will understand the situation. Terence Golden, the GSA Administrator, who, as Senator Moynihan, had this notion of building the Federal Triangle site with private funds which would ultimately produce a building that the Government would own, was looking around for some help in getting that through the OMB, in being able to appear before this committee and saying that this had Executive Branch approval. He found it in former Attorney General Meese, who was willing to pitch in with him with the OMB.

This was an agreement, an understanding, that we, the members of the Commission and those of us who testified for this legislation before there was a Commission, did not know existed. But it was an alliance of convenience for GSA Administrator Golden. It is one that, when we found out about it, we wished to undo, while still bringing about big savings for the Government through bringing in an international agency such as USIA.

Senator **Percy**. I think we should say for the record also that PADC took a vote on it. They support the position that we (USICTC) have taken.

Senator **Moynihan**. The PADC, the Pennsylvania Avenue Development Corporation.

Senator **Percy**. The Pennsylvania Avenue Development Corporation. They are our partners in this exciting project. They do support it, and I want to thank Hank Berliner, who has been a superb chairman of PADC, and we look forward to working closely with Richard Hauser, the new chairman, in the future.

The Acting Administrator of GSA, Dick Austin, has been extremely helpful to us, as has been his National Capital Regional Administrator, Dick Hadsell. We have had a wonderful working relationship with them. We have all been working toward finding a way, and we know we will find a way, to do this. But we are just not there yet, and I wish we could have reached agreement before we came before this committee today.

Senator **Graham**. Would you anticipate, or are you concerned about the possibility, that if this issue is not resolved in a way that you believe will create the synergism to support the international aspects of this complex, that it might make it more difficult to interest private firms in this partnership?

Senator PERCY. Unlike world trade centers around the world, there will be no private firms housed in the federal tenant space. There is no room for them in it. They will be building around it, of course, in the area. But I do not think it would have an impact on the private sector. They are not going to be tenants. They look forward to working with this one-stop center, such organizations as the U.S. Chamber and other major organizations in the country. They are excited about it. I think they would be dismayed if the major foreign missions decided not to participate with us. It would destroy the whole concept we have been working on over the last 10 months and this committee has for several years.

I would like to hear from the other commissioners. Abe?

Mr. POLLIN. I think you might consider the fact that we are talking about an international facility here, and we hope that this facility will attract many, many millions of visitors, and we know it will. When you talk about the Justice Department, you talk about things like Bureau of Prisons and high security risk things that take place there.

We just feel very strongly that it has absolutely no connection with the kind of building that we are talking about, facility we are talking about, and it would be a tremendous negative, and I think putting Justice in there would jeopardize this whole project, and I really feel that very strongly.

Senator MOYNIHAN. We thank you, Commissioner.

Senator Reid.

Senator REID. Mr. Chairman, I, like Senator Chafee, am feeling my way through this, and my statements do not necessarily mean that I have any reservations of lasting duration, especially if you can answer the questions.

But it does seem to me somewhat simplistic that this building is going to do anything to contribute significantly to the trade deficit of $10 million per month.

Senator Percy and other people at this panel, what are we talking about, $100,000 a month, $1 billion a year? What is this going to do, by the most optimistic estimates, toward the trade deficit?

Senator PERCY. We are looking at billions. Now, Senator Moynihan knows that I was called into the State Department on a major purchase that a major South Asian industry was making, just after I left the U.S. Senate. They asked, "Would you please work on this?" The United States had only one company bidding and we faced very stiff international competition. It looked as though we had already lost the bid, but the situation turned around in 3 months and the U.S. received the award. The one international bid involved half a billion dollars, and it could even be larger as times goes on. So I have seen what can happen.

AT&T together with SBA (Small Business Administration) have held nine export promotion conferences across the country last year that I have supported. I went to one of them and keynoted it just to get the feel first hand. They had more than 300 companies present there many of whom had not really engaged in important export sales efforts. (Some call "small businesses" anything under $1 billion now!) All companies present were very excited about the potential shown to them in exporting abroad. I went table to table at the end of the conference. They said to me "Here is a real possibility; let's get with this new market opportunity".

That is why the mobilization conference we are going to have, big business, small business and medium-sized business, is going to be important. The ABC group, the American Business Council, is one of the tougher groups in the country, an organization of companies, limited in membership to just 100 companies. They must increase their sales compound by 15 percent a year or they are out and someone else is elected in their place. There is real incentive to stay in that group. This group as a whole increased their sales, on an average, 26 percent a year abroad. They are small, medium, and large companies.

So it can be done. All we need to do is open it up to tens of thousands of other companies, and that is why we held our own Aspen Institute conference that they helped us co-sponsor, and brought experts from all over the country in to advise us. We have already held that conference at Wye, MD, to get ideas for what we can do to expand trade abroad.

Senator Reid. Senator, I hope you are right.

Senator Percy. I hope so, too.

Senator Reid. It seems, as I have indicated, somewhat simplistic that by building a building we are going to——

Senator Percy. It is what we do in the building and before we build the building that will count.

Senator Reid. Well, I hope you are right. I think the building is great.

Mr. Chairman, you can remember when we were assembled previously when the outline of this structure was taking place, and there were a lot of accolades for the fact that finally Justice was going to have a place that they could go, because they were strewn all over the capital area, and everybody was happy that they would have a building they could go in, and we were patting each other on the back, and people at the witness table were saying, "Isn't this great what we have come up with?"

And now we come back and say it was not such a great idea because the Justice Department connotes to the rest of the world something bad. I am not saying that that is wrong, but it would appear to me that we are not solving, really, the problems we set out to solve, Mr. Chairman.

One of the crying needs is to get Justice someplace where they can be all in one location, we have this big building on a prime piece of land at an ideal location, and now we are saying, we can't have you there because you're not quite right. I think it is something we have to exhaustively review, and I am sure that you have already done that. But we are defeating the purpose, in some respects, that we set out to accomplish.

Senator Moynihan. Senator, may I say that I have not done that. We will. We are seized of this issue, thanks to the Commission, and I think we will have informal meetings, perhaps formal hearings.

Senator Reid. I think it is a difficult problem, and I am impressed with the testimony. I am impressed with the people here who think that the trade deficit can be approached better than we have done by having a World Trade Center here in the Nation's Capital. I just hope you are right, and I have confidence with the assembled experience at this witness table that that is the case. But the proposal to move the Justice Department out, while it may be a good one, is not going to be that simple to handle.

Senator CHAFEE. Could I ask one question?

Senator MOYNIHAN. Of course.

Senator CHAFEE. Mr. McPherson raised the point about the three buildings, and obviously you discussed it among yourselves and your conclusion was you would be better off with one.

Mr. McPHERSON. No, no, that is not so. We have not taken that position.

Senator CHAFEE. Oh, you have not?

Mr. McPHERSON. No, sir. The PADC is in charge of all of this, anyway; we are just making our comments. These are my individual wishes. Nobody has overruled me, but nobody is in a position to endorse me, either.

Senator CHAFEE. You have not been shot down yet.

Mr. McPHERSON. No.

Senator CHAFEE. Well, then I am mixed up. I was reading this material. It talks about 1.9 million occupiable square feet, the Nation's second largest Federal office building, surpassed only by the Pentagon, and it talked about building always in the singular. Am I mixed up?

Senator MOYNIHAN. We could say complex. It is one site. We know precisely how many square feet of ground we have.

Senator CHAFEE. All right, so——

Mr. McPHERSON. The request for proposals, for bids, that the PADC has sent out does refer to a complex, so it makes it possible for a developer, an architect, to come in with three buildings or five or ten, I guess, as well as one.

Senator CHAFEE. Mr. Pollin?

Mr. POLLIN. That is what I was going to say. We now have an RFP on the street, and we will be receiving those proposals, and there might be one building, two buildings, three buildings. Actually, part of the proposal is an architectural design which we will then recommend. So we do not really know what it will be at this time, Senator.

Senator CHAFEE. I would say that it would seem to me that the opprobrium that would attach to Justice Department occupancy would be lessened if it is a separate building, although I get your point that you do not want the Bureau of Prisons next door to what you are trying to have as an International Trade and Cultural Center.

Mr. POLLIN. Absolutely not.

Senator CHAFEE. All right. Well, I did not understand that there was a possibility of there being three buildings. So that is still up in the air—or being *x* number of buildings.

Senator PERCY. Yes, sir.

Senator CHAFEE. All right.

Mr. McPHERSON. Mr. Chairman, at the risk of extending this too long, could I just make a quick response on my own to Senator Reid's point?

Senator MOYNIHAN. Yes.

Mr. McPherson. I think what Senator Percy, who is, as you can tell, devoted to this question of reducing our trade imbalance—working with him on this Commission is like working as a member of the choir with Billy Graham.

But what we are hoping to see in this building is a combination of administrative efficiency that will help, particularly, small- and medium-sized businesses that may operate abroad, making it possible for them to come to Washington without the depressing prospect of going all around town to a whole spread-out group of commercial attache offices of various embassies trying to find visas, getting their own passports, trying to find somebody who can set up appointments for them abroad, and instead, to find an awful lot of information in one place. That is part of it, the administrative efficiency.

Another part, which in the long run will be far more important, is that there will be in Washington at last a place that speaks of America's new role in the world.

When I used to work in the Senate 30 years ago, we talked a lot about America being in the world, but it really was not at that time. Most of what we did was among ourselves. If we exported, it was grain or maybe aircraft.

Now we are really in it. Everybody knows that. Jobs are won or lost by trade. Part of the problem is our dollar imbalances. Part of it, I think, at least as serious a part, is what I think I would say, on the basis of a lot of testing of our students that has been done in the last few years, cultural ignorance.

We need desperately to understand, our people need to understand, that we do live in a world in which our understanding of other cultures and they of ours have a lot to do with our standard of living.

What I would like to see in this Center is an educational process that exists in the exhibits, inthe theaters, that I hope we can make full use of, in something like an international Closeup program. Do you know the Closeup program that exists around in Washington? I think, in my view, it is one of the great educational programs of America. It really is wonderful. There have now been about 400,000 American students and their teachers who have come to Washington for a week to meet with Senators, Congressmen, lobbyists, people from the Defense Department, the White House, and so on, and have had a much better understanding as a result of their government.

This can be a center for an international Closeup, bringing thousands of American students and teachers to Washington to learn something about the world, to use embassy staffs as teachers, and to help us finally break out of our provincialism, as it were, and begin to live in, in our minds, the world that we are already living in in reality.

Senator Percy. Thank you, Reverend Billy Graham.

Senator Chafee. You have an evangelist.

Senator Moynihan. Thank you, Commissioners, and you have obviously made some converts, Mr. Chairman.

We now turn to a very special moment in the history of our committee.

We are going to have a slight change in our sequence. If Mr. Austin and Mr. Hauser would have the kindness, we are going to hear them at the end of the morning. We would like to move to the Judiciary Building.

Would the Honorable George White please come foward with Mr. Ensign and Mr. Carroll, Mr. Ralph Mecham, and he is accompanied by Mr. Raymond Karam.

This is a very special moment. We are going to hear the results of a competition which our very distinguished architect has carried out for the Judiciary Building, which is to be the second building that the Congress has ever built for the Supreme Court. The first, of course, is across the park, Canfield's great temple.

We used to know the members of the Supreme Court. Then they moved over there, and we have not seen or heard from them since. They used to be down the hall, you know, and you could have coffee with them, or worse. But there is no retrieving it now. They have Delphic pronouncements come from time to time, and that is all we know.

On the other hand, it is the case, I think, and the committee would agree, that in our dealings with the Court, we are especially on our honor, as the give-and-take between the Legislative and the Executive Branches does not exist here. As the former Attorney General will note, the Court cannot say, "Either build us a building or that next case will be decided in ways that you will not like one bit."

So here we are. As Chief Justice Burger said, it was for 18 years he sought the creation of a Judiciary Building. Mr. Mecham can explain its purposes, of course. It was not until we came upon this device for building and financing that we were able to do it. I say again, this is going to be a monumental building, not in size but in purpose, and not a penny of Federal funds will be required to build it, and in 30 years we will own it.

Mr. White, sir, you have carried out a very careful inquiry, a closed one, if I may say, and you are here today to give us the announcements of the competition, and the Building Commission which this committee created by law, has made the choice.

We welcome you, sir.

STATEMENT OF HON. GEORGE M. WHITE, ARCHITECT OF THE CAPITOL, ACCOMPANIED BY ELLIOTT CARROLL, EXECUTIVE ASSISTANT TO THE ARCHITECT OF THE CAPITOL

Mr. White. Thank you, Mr. Chairman.

I thought it might be useful to state a brief history of what has occurred up to now.

This process began almost 6 years ago when an effort was made to lease some space for the Administrative Offices of the United States Courts. It was thought at that time on the House side, at a Public Works hearing, that some investigation should be made into doing something other than leasing, namely of the possibility of building a building.

A proposal was then made to construct a building, and a cost estimate was submitted, and of course it meant the appropriation of funds in order to do that, which was not a very likely prospect in the light of increasing deficits at that time.

So this idea was proposed, among others, and a law was passed requiring us to perform a feasibility study and report to the Congress as to what we recommended should occur. You, of course, remember that it as a result of that study that the most recent legislation was passed under which we have conducted this final portion of the project, namely the receipt of final proposals for the project based upon the most recent law.

I might say, also, that beginning back in 1975 or 1976, when we began the preparation of our master plan for the Capitol Hill District, it was proposed to build a building on this site in order to complete the urban design of that location. In the course of discussions with the Chief Justice at that time, mention was made of the need for a location for the Administrative Offices of the Courts in proximity to the Supreme Court because of the direct relationship that exists between the Chief Justice and the Administrator of the Administrative Offices of the United States Courts.

So it goes back a long way; that is to say, I was reminded of it when you were speaking in terms of the Pennsylvania Avenue Commission and how things finally come to fruition after long planning. This concept began really in 1975, almost 14 years ago. So, while the mills grind slowly, they somehow seem to continue to grind. That is just a brief history that I thought might be useful to bring us to where we are today.

It might be useful, also, to say that a primary concern here was, of course, the architectural result that we hoped to achieve. This a monumental area of the city, and as you mentioned in your introductory remarks, both Union Station and the city post office designed by Daniel Burnham, a monumental figure in architecture, are in that area, and that we hope to do something here, we had hoped, that would not necessarily make a strong statement of its own but at least not spoil what was there, or perhaps a little of each. Our whole aim was in that direction.

Obviously, money is an important part of any construction project, and yet we felt that whether it cost a little more or a little less, within reasonable limits,would not be known 100 years from now, but the architecture will be there.

I remember reading, during the discussions that took place when we built the Hart Senate Office Building, the article in the newspaper of 1908, when the present Russell Building was built, it contained dramatic headlines saying that the Senate was building a palace that cost $4.8 million. Of course, that was a lot of money in 1908. But we now have the building, and nobody really cares what it cost at this date.

I am not trying to diminish at all the need for concern about cost, but as I say, within reasonable limits, it is our position and has been from the beginning that the architecture needs to govern, particularly in this monumental area.

Senator MOYNIHAN. Mr. White, you will not mind my interjecting to say that, in any event, the arrangements we have hit upon will not cost anything.

Mr. WHITE. That is correct.

Senator CHAFEE. I am all for the building, but I think we must be careful about suggesting that there is a free lunch here, or a free building. We are going to pay for it through the rent. The person who is going to charge the rent for this, he being a corporation or whoever, has to realistically look at it and is going to have to recover his building costs and his operating costs and his profit all within, what is it, 30 years?

Mr. WHITE. That is correct.

Senator CHAFEE. So, obviously, the rent is going to end up higher, and he does not own the building at the end of it; he is out the building. So I am all for it. I am for this method of proceeding, but I think we must be careful in suggesting that we are getting these buildings for free.

Senator MOYNIHAN. May I just say to my colleague, when you consider—and we will get some specifics on this—owning the land makes an enormous difference, and that is what really brings this in.

Mr. WHITE. Yes, and you are quite correct, of course. It is not free in the sense that you do not ever pay any money. We have rent to pay. On the other hand, because we are putting in the land, which we already own, that has a value of $30 million to $40 million, and because there is an interest to be paid that we do not take into account if we were to build a building ourselves—interest on the national debt—when you balance that against the interest paid to the private sector for accomplishing it this way, it costs very little more to build the building.

Obviously, it costs something to build a building over the long run. I might say in this case the building reverts to the United States Government at the end of the lease period, so we do have ownership, and we never release title to the land.

Senator CHAFEE. I appreciate that, but the person who is building the building has to make a swifter recovery of his investment and also does not end up with the building at the end of the time.

Mr. WHITE. That is correct.

Senator CHAFEE. I do not want to nit-pick over these things, but it is going to cost us some money.

Go to it, George

Mr. WHITE. That is correct.

Now, having been directed by law to proceed as we have now, we asked for revised proposals from the proposers that had submitted in the process of our developing the feasibility study. Those revised proposals have then been reviewed.

I might say that it was a difficult problem to try to pick a provisional winner, largely because, as you are well aware, the submissions were made by five distinguished architects and developers. To some degree the word "distinguished" is inadequate. It is used now almost as a term applying to almost everyone, and these are more than distinguished architects. There are architects who are at the top of anyone's list of fine architects, great architects, at this day and time.

So it was a difficult choice to be made. The financial proposals were also difficult to choose among.

Senator MOYNIHAN. For the record, would you list the architects?

Mr. White. Yes, This information has been provided to you. The architects were, with no particular order in mind, Edward Larrabee Barnes of New York; Kohn Pederson Fox of New York; Skidmore, Owings, and Merrill of New York; Kevin Roche, John Dinklou, Connecticut; and I.M. Pei of New York. New York seems to be a center of fine architecture these days, or at least fine architects.

Let me say that this process has been pursued with full cooperation of the Administrative Offices of the Courts, for whom the building is primarily being built; that is, about two-thirds of the building will be occupied by the Administrative Offices and other functions of the judiciary; and, of course, the former Chief Justice, as you mentioned, Chief Justice Burger, and the present Chief Justice, Chief Justice Rehnquist, have both been interested and supportive of this entire process.

The Commission which is provided for by law has a role in finally approving whatever proposed agreements are developed during the course of the next several months as we negotiate with the provisional winner. I say provisional because if, during the course of those negotiations, we cannot reach an agreement—I do not anticipate that, but in the event that we cannot get through the financial negotiations—we will have to then turn to one of the other submissions and make an effort to make another choice.

Senator Moynihan. And, Mr. White, the provisional winner is?

Mr. White. And the provisional winner is Boston Properties with their architect, Edward Larrabee Barnes.

One of the problems with this kind of—and I though of this because of what was being testified to in connection with the International Cultural and Trade Center, the construction of the building for which is being done in this same way, as you are well aware—the greatest difficulty that lies in this process, after having done what we have done up to now, will be in being certain that we get what we bargain for when we finally make financial arrangements, since we do not have final drawings and specifications.

Of course, as we are all aware in the construction industry, even with final detailed drawings and specifications, it is always difficult to avoid disagreements with regard to what was intended. So here we are even in a more nebulous circumstance, and it will require a great deal of negotiation in order to try to be as certain of that as we can.

I mention that only to indicate that, to paraphrase that famous Scottish poet, Robert Burns, the best laid plans of mice and men often go astray, and our effort here will be to keep them from going astray. So that is the reason for the word "provisional."

Senator Moynihan. Mr. White, again for the record, you are reporting the provisional decision of the Building Commission.

Mr. White. That is correct. We have submitted all of this information to the Commission. The law provides that we are directed by the Commission but that the choice at this point is to be made by the Architect and the Chief Justice, with the approval of the Chief Justice. We have done that. The Commission has been kept informed, and of course we will continue to keep them informed. They must approve the final agreement, as I read the law, and we will, of course, proceed on that basis.

I wanted to say that the law also provides for a new arrangement than has existed previously in these kinds of matters—that is to say, real estate matters—that has made our office—that is to say, the Office of the Architect of the Capitol—a sort of GSA for the Legislative Branch. We will be collecting the rents from the occupants of this building, we will be paying for the maintenance, we will be paying for the security, we will be paying the developer; and there is a special account to be set up in the Treasury for that purpose, and so we are in a sort of lease management role in this particular case.

Senator MOYNIHAN. In that regard, again for the record, Senator Chafee's amendment specifically precludes any congressional Senate or House offices in this space.

Mr. WHITE. That is correct. No Members of the Senate or House or committees may occupy this building. The intention is to see whether any of the Legislative Branch entities, such as, for example, the Office of Technology Assessment, where space is now being leased on Pennsylvania Avenue, SE, might move here. If not, the space is available to the Executive Branch, of course, and there are certainly Executive Branch agencies who can go in this building.

Senator MOYNIHAN. In time, you anticipate that it will be wholly used by the judiciary?

Mr. WHITE. Not necessarily. I think the building is a little larger than they will need. Of course, we do not know what the future holds, but the present prediction is that, for the foreseeable future, there will be more space in the building than they need. On the other hand, 20 years from now, that could well be true.

Senator MOYNIHAN. In the next century, perhaps?

Mr. WHITE. Yes.

Senator MOYNIHAN. We expect to be around.

Mr. WHITE. That is right.

Let me thank this committee and all the others who have been associated with this process. We have had good support in order for us to accomplish what we have up to now, and I hope, in the light of what I just stated regarding the new assignment to our office that the law provides making us a lease manager, we hope to continue to worthy of your confidence, Mr. Chairman.

Senator MOYNIHAN. We thank you.

Mr. Mecham, would you like to speak?

Mr. MECHAM. Surely.

STATEMENT OF L. RALPH MECHAM, DIRECTOR, ADMINISTRATIVE OFFICE OF THE U.S. COURTS, ACCOMPANIED BY RAYMOND A. KARAM, ASSISTANT DIRECTOR FOR ADMINISTRATION, ADMINISTRATIVE OFFICE OF THE U.S. COURTS

Mr. MECHAM. Thank you very much, Mr. Chairman and Senator Chafee. I appreciate the opportunity to be here, along with Ray Karam, to discuss the new building to be built on Capitol grounds.

Senator MOYNIHAN. Welcome, Mr. Karam.

Mr. MECHAM. Let me first say, Mr. Chairman, that the entire judiciary is grateful to you and your colleagues for your efforts in securing enactment of Public Law 100–480. I can give you a personal expression of appreciation from Chief Justice Rehnquist. I want you to know that the Supreme Court does exist. The building is there—and so are the Justices, and former Chief Justice Burger. They really appreciate your leadership.

We look forward to the day when the Judicial Branch support agencies will be consolidated in one building. We are now scattered in six. We also trust that this building can be made available for retired Supreme Court Justices. Presently, with two such Justices retired, the Supreme Court building is a bit overtaxed, and should other Justices retire, there would not be adequate facilities, I am told, unless we have space such as this.

Since enactment of the public law, we have worked closely with Mr. White and his staff in the preparation of the Request for Revised Proposals and the subsequent development of the excellent proposals from the five developer-architect teams.

The Chief Justice subscribes to and supports, as the statute requires that he must, the decision with respect to the developer-architect team of Boston Properties and Edward Larrabee Barnes and Associates. We have a letter from the Chief Justice to George White indicating this support, which we will submit to you.

Senator MOYNIHAN. Sir, it would be helpful if we had such a letter. We would appreciate it.

Mr. MECHAM. I have it here, and I will be pleased to submit it to you.

Senator MOYNIHAN. Without objection, it will be made a part of the record.

[The letter referred to follows:]

Supreme Court of the United States
Washington, D. C. 20543

CHAMBERS OF
THE CHIEF JUSTICE

January 13, 1989

Honorable George M. White, FAIA
Architect of the Capitol
United States Capitol
Washington, D. C. 20515

Dear Mr. White:

I appreciated the opportunity to review the excellent architectural designs for the proposed Judiciary Office Building adjacent to Union Station, submitted by five developers pursuant to Public Law 100-480 (102 Stat 2329), approved October 7, 1988. In accordance with Section 3(a)(6) of that Act, I am pleased to approve the preliminary design of the proposed building submitted by the preferred developer you have selected and recommended, namely, Boston Properties, whose architect is Edward Larrabee Barnes, FAIA.

I look forward to further opportunities to review the design as it is refined and developed to the construction drawing stage.

Sincerely,

William H Rehnquist

Mr. **Mecham**. We recognize at this point that it is a provisional selection subject to negotiation and approval by the Commission. It is a selection, as I said, that the Chief Justice heartily endorses.

With the selection of a developer-architect team, the first steps have been taken toward completion of this monumental project. I would just like to say how appreciative we are of Mr. White, Mr. Carroll, and the others for their excellent work. We have enjoyed working with them, and we plan to continue to do so.

We in the Administrative Office and other judicial agencies are preparing the tenant block assignment drawings and general staffing information, plus designating special features such as electrical, air conditioning, and structural matters that are required. We have done some planning but not the detail that will be necessary before the final plans are completed.

These negotiations will take place during the next 5 months. The same architectural consultants that the Architect of the Capitol has been using throughout this project will be assisting the judiciary in doing our preliminary work. It is fortunate that there were some funds left over from the initial study on the construction of the Judiciary Building to cover this expense.

The Chief Justice has appointed two distinguished judges to serve on the Commission, in keeping with section 7 of the law which you sponsored. I have letters of appointment to District of Columbia Federal District Judge Thomas P. Jackson and Judge Pauline Newman of the Federal Circuit Court of Appeals, who have been appointed by the Chief Justice to serve on the Commission. I have those letters for you.

Senator **Moynihan**. If we could place those in the record, we would appreciate it. Without objection, it is so ordered.

[The letters referred to follow:]

Supreme Court of the United States
Washington, D. C. 20543

CHAMBERS OF
THE CHIEF JUSTICE

January 27, 1989

Honorable Thomas P. Jackson
United States District Court
United States Courthouse
3rd and Constitution Avenue, N. W.
Washington, D. C. 20001

Dear Judge Jackson:

Section 7 of the Judiciary Office Building Development Act (Public Law 100-480) provides for the establishment of the Commission for the Judiciary Office Building. The Commission is responsible for the supervision of design, construction, operation, maintenance, structural, mechanical and domestic care and security of the building to be constructed. A copy of the Act is enclosed for your convenience.

I am pleased that you have agreed to serve on the Commission and I hereby appoint you a member of the Commission for the Judiciary Office Building. Section 7(b) specifies the membership of the Commission and that members or their designee(s) shall attend meetings or other functions of the Commission. Should it be necessary for you to send a designee to a meeting or function, in order to assure continuity, I suggest that you designate Mr. L. Ralph Mecham, Director of the Administrative Office of the U. S. Courts, to act for you in your absence.

On behalf of the individuals and agencies who will be affected, both directly and indirectly, by the construction of the new building, thank you for accepting this challenge. I am confident that you will make significant contributions to the work of the Commission and your service will have a lasting impact.

Sincerely,

William H Rehnquist

Supreme Court of the United States
Washington, D. C. 20543

CHAMBERS OF
THE CHIEF JUSTICE

January 27, 1989

Honorable Pauline Newman
United States Court of Appeals
The National Courts Building
717 Madison Place, N. W.
Washington, D. C. 20439

Dear Judge Newman:

Section 7 of the Judiciary Office Building Development Act (Public Law 100-480) provides for the establishment of the Commission for the Judiciary Office Building. The Commission is responsible for the supervision of design, construction, operation, maintenance, structural, mechanical and domestic care and security of the building to be constructed. A copy of the Act is enclosed for your convenience.

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Sincerely,

William H. Rehnquist

Mr. **MECHAM**. Thank you, Mr. Chairman.

On behalf again of the Judiciary, we thank you, Senator Chafee, and the committee for your great efforts in turning this public-private partnership concept into a reality. We look forward to working with the Architect of the Capitol and his staff and with your committee.

I think there is an interesting historical development, too, because we will be completing this building and have it dedicated roughly October 12, 1992, on the 500th anniversary of Christopher Columbus, for whom the plaza is named on which it will be built.

That concludes my remarks, Mr. Chairman.

Senator **MOYNIHAN**. That is a nice little grace note there, and it gives a little deadline to work back from, doesn't it?

Mr. **MECHAM**. Right.

Senator **MOYNIHAN**. That is just marvelous news. We will want to hear from you in the fall when you have made your final decision.

May I say to Mr. White and Mr. Carroll that I have not ever seen an architectural competition which produced such eminent entries. There is not one of those models that would not make us proud. You had five or six and you could only choose one, but I hope everyone who was involved feels that they have the gratitude of this committee.

Senator Chafee.

Senator **CHAFEE**. Thank you, Mr. Chairman.

First of all, I would just like to say that you have been very kind, Mr. Mecham, in thanking me, but the real spark plug behind this meeting on the request of the Supreme Court for additional space has been the chairman. He has been deeply interested in these architectural matters for many, many years and has pursued it with bulldog tenacity.

So you deserve a lot of credit for what you have done.

Senator **MOYNIHAN**. Thank you. It is very nice of you to say that.

Senator **CHAFEE**. It seems like a question of who is buried in Grant's tomb, but realizing that the First Boston Corporation is headquartered in New York, my question is, where is Boston Properties headquartered? Are they from Boston, just out of curiosity?

Mr. **WHITE**. The representative, Mr. Robert Burke of Boston Properties, is here. Perhaps he would reply.

Senator **MOYNIHAN**. Mr. Burke, where are you? Mr. Burke, would you come forward and tell us whatever Senator Chafee wishes to know?

Senator **CHAFEE**. I don't want a pedigree of the company or anything. I am just curious. Where are you located?

Mr. **BURKE**. Thank you, Senator.

Mr. Chairman, good morning. My name is Robert Burke with Boston Properties.

Our home office is in Boston. We were established in 1970 and have had an office in Boston since then. We opened a Washington office about 10 years ago, in November 1979, so we have been here for 10 years and have developed about 3.5 million square feet of principally office projects in the Washington area.

Senator **CHAFEE**. You are an architectural firm?

Mr. **BURKE**. No, we are developers.

Senator **Chafee**. Oh, that is right, excuse me. You are Boston Properties.

Mr. **Burke**. We also have an office in New York.

Senator **Chafee**. And Barnes is from where?

Mr. **Burke**. New York City.

Mr. **White**. Barnes is from New York City.

Senator **Chafee**. Barnes is from New York City.

Another question that may seem rudimentary. When somebody is designated as a developer, they are responsible for bringing this right through until finally the key is turned. But you build it and get your contractors and are the people who, presumably, will own it for the 30-year period. Is that correct?

Mr. **Burke**. That is correct. We will own the improvements, the building. The Architect of the Capitol, the Federal Government, continues to own the land.

Senator **Chafee**. Fine. Well, congratulations. We just have these rough sketches here, but I must say it is a tough decision to make because in looking at them, and I have just quickly looked at them here, some of the designs seem remarkably similar.

Mr. **White**. That is true.

One of the things we did, Senator Chafee, was to set some very tight guidelines so that the urban design needs of the area, the recognition of the prominence of Union Station, the height limits that were set, the volume that could appear above ground, a great many of those limitations were given to all competitors, and so what you see is a variation in exterior texture and in layout and in those kinds of things, but the bulk of the building is the same for all.

Senator **Chafee**. The problem we have about a variation from the height, that was worked out with the neighbors?

Mr. **White**. Yes.

Senator **Chafee**. Good. Well, congratulations, everybody.

I think we also should extend our thanks, as I am sure you did, to your architectural selection committee, John Carter Brown and that group.

Mr. **White**. Yes. We certainly did.

Senator **Moynihan**. Well, this is just superb.

I wonder if I could just ask, it is not every day that we have a competition of this kind, and the story is that Burham got the contract from Alexander Cassait, President of the Pennsylvania Railroad, by finding out when the next Cunard liner he was taking to Paris was and getting aboard and bribing the steward so he had a deck chair next to him. It was not quite a competition in those days.

I would hope we might find a place where this display could be more accessible, and we will talk about that. The models are going to be in the Building Museum eventually.

Mr. **White**. Yes, the Building Museum has asked that we try to do that. We thought in terms of perhaps displaying these things for a while, at least, at Union Station, which is accessible to the public.

Senator **Moynihan**. Good!

Mr. **White**. And then to the Building Museum or perhaps to the Building Museum directly, but in any event on display.

Senator **Moynihan**. On display. May I tell our guests that there are two sides of this display. There are wonderful models on the other side. You have to keep that in mind.

Thank you, gentlemen, very much, Mr. Carroll, Mr. Burke, Mr. Karam, and, of course, Mr. Mecham.

If I could ask Mr. Austin and Mr. Hauser to indulge us just one more time because we are going to move now to Foley Square. We have a very distinguished jurist in our audience. He has been very patient, the Honorable Judge Charles L. Brieant.

I wonder if our guests could keep the noise down. Thank you.

Now, the next and final project which we are here to discuss is the Foley Square Office Building and Courthouse Annex. Foley Square is in downtown Manhattan. It is named for the former sheriff of New York County. It is right next to the State Supreme Court, not far from City Hall. It is a very important, old part of New York. This is a project long in incubation.

The courthouse—Judge Brieant will correct me if I am wrong—the Federal Courthouse was built for approximately some 15 Federal district judges, and they now have some 60, and the burdens are of a wholly different order, and a new courthouse is needed, and a new Federal and city office building again to move people out of rented space into new space.

Again we have this lease-to-own arrangement, but a particularly promising collaboration between the city, which in this case owns the land, and the Federal Government, which helps to build on it.

Your Honor, it is very thoughtful of you to come here for the third time, I believe, sir, and be patient while we have gone on with other matters.

Judge Brieant, we look forward to your testimony.

STATEMENT OF HON. CHARLES L. BRIEANT, CHIEF JUDGE, U.S. DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK, ACCOMPANIED BY CLIFFORD KIRSCH, DISTRICT EXECUTIVE OF THE COURT, SOUTHERN DISTRICT OF NEW YORK

Judge **Brieant**. Thank you very much.

Mr. Chairman, Senator Chafee, members of the staff, I am Charles L. Brieant. I am Chief Judge of the United States District Court for Southern District of New York, the largest and oldest Federal District Court in the country. We will begin our third century of Federal judicial service on November 3 of this year in New York City.

I know that the Chair will introduce the rest of the participants later, but on my right is Mr. Clifford Kirsch, who is the District Executive of the Court. Mr. Kirsch was present at the creation of this project because he served with Chief Judge Constance Baker Motley when this project was first conceived, and he has agreed to continue with me when I became charged with this responsibility.

Because I am required to devote at least a portion of my time to the trial of cases, I do not attend all the meetings, but the Federal courts are fully represented at all times by Mr. Kirsch and other members of my staff.

Senator **Moynihan**. Mr. Kirsch, we welcome you to the committee.

Judge **Brieant**. Early this morning, when the Chair made an opening statement, Senator, you covered in very few words what I consider to be almost the entire substance of my testimony, which is reduced to writing and which has been submitted to the committee staff in advance. I would be very reluctant to try to repeat the very accurate observations you made this morning, sir, at such great length which I would probably have to do it.

I will say that we have had splendid cooperation from everyone that I have been working with up to now, but it is also absolutely true that the memorandum of understanding will be a year old next month.

We have done a tremendous amount of work on the court level of this venture. This included getting our own organizational problems resolved by having the Court Design Guide modified to have reference to the special needs of our district and the type of cases and the type of work that we do there.

Our input into the solicitation for offers was very well received by all the other participants, and there is a tremendous amount of effort that has gone on so far in creating those solicitations, the responses to which, as I understand, and Mr. Diamond will tell you in greater detail, will be opened this month.

We need the space very badly. I think that was established and recognized by the committee last time I was here. We have been proceeding very diligently but very carefully because we do not want anything which should have been foreseen, and was not, to waste precious time in the early completion of this project.

My testimony refers to the Judicial Council approval which was needed, and the Judicial Conference of the United States waiver which was solicited and obtained for upward departures from the Court Design Guide.

I point out that in 1988 we had eight criminal trials which lasted from 3 to 14 months. Five of those trials had seven or more defendants, and there were 26 defendants in one of those cases. There are many more other cases, civil and criminal, which take 1 to 2 months to dispose of. Nowhere else in the country is this problem found to as great an extent.

We require large secured courtroom space for trials like *Westmoreland* v. *CBS* or the Drexel-Burnham Lambert matters which have been ongoing, or GAF, or the Bophal disaster, which was litigated in our court, which had 99 attorneys in the case. We have the problem of making the proceedings available to the public.

Our environmental impact statement, as I understand it, will be publicly revealed in draft this month. I cannot foresee that we should have any environmental problem because we are truly a smokeless industry. Even the heating for this building, Senators, will come from New York Steam Company, so there will not even be a smokestack from heating the building.

We are an entity which has a substantial payroll. A great number of attorneys and clients come here from all over the world. Litigants and jurors come from the upper part of our district. We are a substantial economic contribution. I cannot quite rank it with the International Trade Center which was discussed before you earlier this morning, but we are a beneficial economic operation which contributes greatly to the City of New York, and at the same time we are adjudicating the commercial litigation and the Federal criminal litigation which is absolutely essential to the State and Nation.

We have a few challenges. I don't call them problems, but they are challenges. The need for the tunnel is one of them, and that is mentioned in some detail, and I would be pleased to respond further on that if that is a matter of concern.

We have the difficulty of complying with the memorandum of understanding as to parking, but I am sure we are going to do it, and in the course of trying to stay on top of this project, I would like to report that members of my staff have been to Philadelphia, Camden, Newark, and other places where new courthouses were in progress, and we believe that we have been able to hold up our end in our dealings with GSA and those concerned with preparing the SFO.

The bicentennial for our court will be November 3, and it is my fervent hope that that will be the day that we, with the enthusiastic cooperation of all participants, including the City of New York, which is well represented here today, can break ground on this great courthouse for the United States District Court, first opened in New York City by James Duane, after whom Duane Street, which leads into Foley Square, is named.

Also, of course, I do not wish to overlook the fact that the Second Circuit of Appeals has its only place of sitting in the same building, and that court will be sharing the annex along with ourselves. Although they have not participated directly in the planning stage, I wish to assure the committee that Judge Feinberg, who relinquished his office as Chief on December 31, and our new Chief Judge, James L. Oakes of Vermont, are equally enthusiastic.

I am available for any questions or inquiries or any help that we can get.

Senator MOYNIHAN. Your Honor, we do thank you.

I particularly thank you for a deadline. That is our problem. A year has gone by and nothing has happened.

We are very pleased to have on the first occasion the very distinguished Deputy Mayor of New York City, Mayor Esnard, who is an architect. We want to make that clear, Robert Esnard and Mr. William Diamond.

I think, Mr. Mayor, if we could hear from you in terms of what is the prospect of getting the judge's inspired proposal that we get this thing agreed to by November. It is still just February.

STATEMENT OF ROBERT ESNARD, DEPUTY MAYOR FOR POLICY AND PHYSICAL PLANNING, CITY OF NEW YORK, ACCOMPANIED BY HADLEY GOLD, COMMISSIONER, DEPARTMENT OF GENERAL SERVICES, CITY OF NEW YORK

Mr. ESNARD. Thank you, Mr. Chairman.

It is a pleasure to be here, and I am very pleased to be accompanied by Commissioner Hadley Gold of the Department of General Services.

Senator MOYNIHAN. Commissioner Gold, we welcome you to the committee.

Mr. **Esnard**. Mr. Gold has been involved in this not quite day to day but certainly weekly, and we have been bi-weekly since the announcement of the project and have been very much involved in going forward.

What I would like to do if it is all right is just make a short statement and then go to the questions, if that is all right.

Senator **Moynihan**. Please do, sir.

Mr. **Esnard**. The project is a very complicated project. It is a project that the Federal Government and the City need, I think, desperately. The judge has indicated the court issue in the sense of overcrowding and the space needs that exist in the court, and this project is two buildings. The picture we have here on the easel basically shows what is almost, I think, probably the most famous square, judicial square, if you will, from TV and movies. You always see lawyers going up and down the stairs, not too many architects, thank God, but lawyers going up and down the stairs.

It is the space right behind the State Building, which is on the left in the picture, that the City owns some property, and it is that property that will be used for the project.

Senator **Moynihan**. These are really old streets, aren't they?

Mr. **Esnard**. Streets and parking.

Senator **Moynihan**. They are cobblestone. When you scrape the snow away, it is a cobblestone street.

Mr. **Esnard**. The second building is a building basically taken from where the picture is taken. It is further east, and it is an office building. That building is going to be jointly shared by the Federal Government and the City of New York, 400,000 square feet; each total building, 800,000 feet. This building, the courthouse, will be 800,000 feet; the other building would be 800,000 feet.

Senator **Moynihan**. There are 1.6 million square feet of space involved.

Mr. **Esnard**. That is exactly right.

Senator **Moynihan**. Not a small enterprise.

Mr. **Esnard**. The business arrangements were very complicated, almost unique, I think, in Federal-city processes. These are very valuable pieces of property that the City owns. The arrangement with GSA and the Federal Government is that we would get space built and a building built, and then instead of giving us one payment, which would normally happen in the transfer of a property that is valuable, or any property in the City of New York, the value of the property would be put against lease payments so that we would have cheap office space, the Federal Government would not have to outlay money up front, we would not have to take money out of the expense budget in order to pay space for the 400,000 square feet of office space.

So, in a sense, it is a very interesting business deal, and it is a very important deal physically for both the Federal Government and the City in terms of providing new space.

Senator **Moynihan**. There is a nice little touch, that the office building will be on Duane Street, which flows right into Foley Square, and Judge Duane presided over the first district court. Is that right, sir?

Judge **Brieant**. And if I may say, sir, he was also a mayor of the City of New York.

Senator **Moynihan**. Not every mayor of the City of New York lives to be a judge.

Mr. **Esnard**. Or has a street named after him.

Or has a beautiful building, I think, that will be built right next to a street named after him.

The year has been spent very busily. It has not turned into construction yet, but there have been weekly—in fact we have people in this room who have talked daily on this project. We have talked about the business terms, as I described before. We have talked about the site planning issues, the massing issues, the pedestrian and vehicle circulation issues, design issues, the physical needs that we will need in the building, the structural issues, the electrical, mechanical equipment issues.

There has been a thorough investigation so that, once we start construction, we do not have to stop. The biggest problem with public construction—and we do a lot of public construction in the city, sometimes well and sometimes not so well—most of the problems come forward when you don't do the up-front planning, you don't do the up-front investigation.

And so we are trying to do this—Federal and the City—in the most thorough way possible in order that, once we start, we do not have to stop, we do not have to turn around, and we have a successful building—and I think, Mr. Chairman, you would appreciate this—not just successful in a sense of space; successful in the sense of architecture, of the urban fabric.

What we are trying to do here in this famous square and famous street is to try to add two buildings that are not necessarily architectural gems in themselves but are buildings that are coherent, significant, and relating to the fabric around it and the beautiful buildings that are—we know these. These two historic buildings where the courthouse will be, but just south of the other site is the Sun Building, a landmark building, and the Equitable Life building, all very prestigious older buildings in the city, so the design challenge here is not just to make a statement but to make a statement that is friendly to these other buildings, and to do it in a way that makes as much sense as possible.

Senator **Moynihan**. Nicely said.

Mr. **Esnard**. The other thing I would like to say, and I think I have mentioned it informally today—we have not really talked about this with the GSA people—but the City had committed last year, and you were very instrumental in getting us to look at it this way, to take a look at the front of the building. That is why I brought the picture. There is a street that is sort of a half-moon street that goes in front of the two courthouses that is called Park Place, and that street basically is a place, unfortunately, where judges park.

There is another street called Hammel Street along the State court Building, also a street mostly used for parking. What we would like to do is to put as part of this project—we originally talked about having the City's DOT, Department of Transportation, rebuild that plaza and perhaps look at the street—and originally, I was not sure whether we could do that—but the City DOT has assured me that we can close those streets, and if we could accommodate——

Senator **Moynihan**. You can close those streets?

Mr. **Esnard**. We can close those streets.

Senator **Moynihan**. Would you want to name those streets again, sir, for the record?

Mr. **Esnard**. Hammel Place, which had been talked about closing before, but the other one is two parts of Park Street.

Senator **Moynihan**. Park Street, yes.

Mr. **Esnard**. Those two streets will give, I think, a much more appropriate kind of entrance and kind of procession space into these two old courthouse buildings.

We would want this total complex, including and then across the street—Centre Street cannot be closed. It is a major north-south street. That is the next street over going eastward. In the back of my testimony, I have a map in case you would like to follow. The Thomas Paine Park is a large park just further east.

Senator **Moynihan**. Now, Thomas Paine Park is a park on top of Foley Square Park.

Mr. **Esnard**. Exactly right.

Senator **Moynihan**. There is only room for one park there.

Centre Street is so old, I might to note to those who are not New Yorkers that it is spelled C-E-N-T-R-E, in the old English mode.

Mr. **Esnard**. Right.

The thought here would be that whoever the successful development team, designer team, would be, that we would have that designer and that developer look at the whole space, the space including the closed streets, the park in a park, and make a sense of the new street furniture that would be appropriate, the new landscaping that would be appropriate, the appropriate paving treatment in the street as well as in the sidewalk, so we have as much a cohesive whole as possible and would do as much——

Senator **Moynihan**. And that can be done in the context of the plaza of the Federal office building, the Jarvis Building. The space is just the same.

Mr. **Esnard**. That is right. But we thought, really, is that—you are going right where I am going—the thought really would be that you have two major court and Federal complexes on both sides of a north-south street, and right now we mostly have a series of little islands—they are not parks, despite their names—and the fact that there is parking all over them really does not add anything to the aesthetics or the feel of the place, and the dignity and the processional space, I think, that it really is deserves more than it now has.

And so the way to best do that, we thought, would be to put it and add it to the GSA project. Rather than having two construction projects, two disparate views of the world, if you will, have one construction project and have it to on as fast as possible.

The last point I would like to say is that it has been a terrific pleasure to work with Bill. I have known Bill a long time, Bill Diamond, who has been the guy whom we relate every day to in terms of this project, and the people in the Federal Court group, as well as the General Services Administration. We talk about this daily. We have meetings, the commissioner has meetings about once a week, and I have them once every 2 weeks, so we are very, very concerned about doing this.

I know you said something about enthusiasm at the beginning of this whole session. The truth is that we are enthusiastic about this. We will try to put more than just competence, more than just time; we will try to put real enthusiasm into this to make it as fast and as efficient and as graceful as possible.

Senator MOYNIHAN. That is a marvelous thing to hear, because it was your inspiration, sir, and our little side-bar agreement in the meeting in City Hall, that we would not just put up these buildings but we would do something about that space.

Mr. Diamond, would you like to report? A year has gone by. You have had a lot of meetings. But we do not have a contract.

STATEMENT OF WILLIAM J. DIAMOND, REGIONAL ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY ALAN GREENBERG, GSA

Mr. DIAMOND. Yes, sir. If I may, I would like to set forth the procurement strategy that we are following with regard to this project. I would like to also add that we share our partner's enthusiasm for this project. We understand how important it is to the Federal Government, to the courts, and of course to the City of New York.

We have established a management team at the regional level to oversee every aspect of this project locally. This team is headed by the gentleman sitting to my left, Alan Greenberg, a seasoned GSA manager, who provides continuous updates on a weekly basis as to where we are.

Senator MOYNIHAN. Mr. Greenberg, we welcome you to the committee.

Mr. GREENBERG. Thank you.

Mr. DIAMOND. The regional team is augmented by specialists from GSA Central Office in the fields of finance, architecture, and procurement, and staff personnel has been augmented by the use of outside experts as needed on a contractual basis.

Our project team meets regularly with the City's project team to resolve problem isues and to receive technical input for the planning process. I personally attend monthly meetings with Mr. Hadley Gold, down the way all the way on the right, Commissioner, Department of General Services of the City of New York, who coordinates the City's end of the project with me.

In September 1988, GSA's Regional Office issued a solicitation for offers that presented the Government's functional requirements for the buildings. The design program portion of this solicitation included substantial input from the City. Offerors were requested to propose design solutions or concepts for the property as well as cost information detailing the proposed construction and financing terms.

Based upon input from the industry at a preproposal conference held November 16, 1988, we modified our original solicitation and extended the due date for offers from January 5, 1989, to February 9, 1989.

Senator MOYNIHAN. That is a week from now.

Mr. DIAMOND. That is right. We have since, however, sir, extended it again to February 23, 1989, to allow for an additional amendment which will assist potential offerors. We have had the property appraised and have also issued a contract for preparation of an environmental impact statement. The first public hearing in this process is scheduled for February 22, 1989.

Offers from developers will be reviewed and evaluated through a two-part process conducted by a source selection committee on which the City will be represented. For the initial submissions, offerors have been requested to submit general design concepts as well as detailed documentation of their financial and design capabilities to complete a project of this magnitude. The design concepts for the two buildings will also be reviewed by a technical advisory committee comprised of some of the best architectural and construction talent in GSA.

The submission will then be "shortlisted," and those offerors invited to participate in phase two of the process will be provided a stipend to further develop their proposals. During the second phase of the evaluation, the committee will be assisted by a panel of distinguished architectural experts selected from the various segments of the architectural community. We are placing a great emphasis on the design solution for these projects. It is absolutely essential that these projects make the best possible architectural statement for the City of New York and the Federal Government.

Our procurement involves the City providing the necessary sites in exchange for long-term use of 400,000 square feet in the Federal-Municipal Building. This arrangement provides us with the necessary land and provides the City with the opportunity to derive use from a valuable, underutilized asset.

Because no Federal funds will be appropriated for the construction of the buildings, the design, construction, and land acquisition will also be privately financed.

We have worked with a broad representation of the development community to design a procurement system that will appeal to the most aggressive segments of the industry. The system we have developed has already been successfully tested on the Chicago Federal Office Building procurement. The Chicago project was recently awarded, and we are very pleased with the results. The financing was arranged by the developer, and the construction funding responsibility will also rest with the developer in Chicago. This will provide substantial incentive to the developer to complete the project within both the schedule and the budget.

Proposals on Foley Square are scheduled to be received, as we mentioned before, on February 23, 1989. We are hopeful of a broad, aggressive response. Once we are involved in the procurement process, it will be essential to maintain tight security on data. Please be assured that we will keep you informed and the subcommittee posted on progress to the maximum feasible that we can do so under the law.

Senator **Moynihan**. I thank you and I thank Mr. Greenberg.

But now we have a problem we might as well settle here and now, and thank goodness we have Judge Brieant, who can pass on it.

Mayor Esnard and Commissioner Gold, you want the Federal Government to condemn the city property. Is that it?

Mr. **Esnard**. It is not that we want it.

Senator MOYNIHAN. Well, I mean, you think this would be the way to move?

Mr. ESNARD. Your concern has been, right from the very first time we talked about this in the mayor's office about a year ago, one, that we do something that is significant architecturally, and two, we do it as fast as technically possible.

Senator MOYNIHAN. Yes.

Mr. ESNARD. I think the first we are well on the way toward, and I think that we will get a product in the end. The question is whether we can get it faster than we had originally scheduled.

The process that we have agreed to go forward is a few months out of sync from what we originally described. Personally, having watched a lot of public projects, I am not that concerned about the fact that we missed a few months in the beginning. It is conceivable to either make them up or not lose any more months as you go down the process.

The issue is not a construction issue, Mr. Chairman. The issue has nothing to do with the architectural methodology. It is really the approval process and the fact that the arrangement that we have agreed to has the City going through its regular transfer of property, change of zoning, franchise approval, special permits for parking, special permits for landmarks, transfer of air rights. There are about eight or nine specific, independent processes that it has to go through. We will do them all, if that is what is required, except the fastest time frame will, I think, push us back rather than make it go faster.

My thought originally, and for procedural reasons and maybe just financial reasons—it was not the way we originally agreed—my suggestion is that if the Federal Government acts like the Federal Government and basically overrides the local process, especially if it is does it in, as we call it, friendly condemnation—and that is how the State of New York has done several things. Governor Cuomo's son just recently did HELP I and HELP II, which has been in a lot of the papers, homeless projects. They used the State's power. They condemned our land and they knocked off a year in the same process than if we had done it through the regular City process.

It is conceivable to do the exact same thing here. We have a friendly condemnation from the Federal Government. We negotiate—and I am sure we will do it well because the year process that we have had has really been a partnership. We have not had the kind of difficulty that, believe it or not, has characterized other arrangements with other parts of the Federal Government and the City. We have had a very successful relationship, and I have every reason——

Senator MOYNIHAN. Mr. Diamond is nodding.

Mr. ESNARD. I have a belief that the zoning issues, the franchise issues, and all those issues can be done, and we will do a local process, but we can do it in a friendly way or a non-official way and in a way that allows the Federal Government to override a lot of the steps that would be required going locally.

Senator MOYNIHAN. All right.

Now, I guess we need to hear from Mr. Diamond. How would you do that?

Mr. **Diamond**. Sir, since the money that would be put up for the land under condemnation would not be coming from the Federal Government, it would be part of the moneys the developer would place into the project, along with the construction and design dollars.

We understand that that may be a possibility. It would have to be explored. But we are very grateful that the City has indicated to us that they would favor such a proposal.

Senator **Moynihan**. I am missing something here. I thought our agreement was that you would give the Federal Government the land, and we would give you 400,000 square feet of office space.

Mr. **Esnard**. Right.

Senator **Moynihan**. How does this developer's money get involved?

Mr. **Diamond**. Well, this would be to vest title in the Federal Government in the land, and therefore, I understand, from the City's point of view, to avoid this long-term process, it would be federally owned land from the very beginning.

Senator **Moynihan**. We will have to condemn it. That would be the process. How do you do that? Do you go to court?

Mr. **Diamond**. You deposit in court the appraised fair market value of the property up front; in other words, to take the property, you must deposit the money in court.

Senator **Moynihan**. But you don't have the money.

Mr. **Diamond**. But we can probably get the money from the developer.

Mr. **Esnard**. The developer is paying for the building and borrowing the money in order to pay for the building. The developer here will have to borrow money for the acquisition. So I think it is technically possible. It is enough of a business deal here, I think, that could make this work. It is just that whether, legally, the Federal Government will be condemning us—this is an architect talking—legally, the Federal Government will condemn us and then have to get the money for the payment of the land from a third party, the developer who will be chosen by the SFO process.

Mr. **Diamond**. If I may sir, we are exploring this as a matter of first impression with the Department of Justice, and we are waiting for their opinion on this, and hopefully, it will be one of a favorable nature.

Senator **Moynihan**. All right.

Mr. **Diamond**. But I would like to bring to the attention of the chairman that a major reason for proceeding in this fashion is not to eliminate in any manner, shape, or form the City's requirements for public hearings and environmental impact statements, but it is more important to assure to the winning developer that he will, after spending all this money, time, and effort, that he will receive the project at the end of the road, and that really can only be assured, if I am correct, under the condemnation procedure.

Senator **Moynihan**. I recognize that, I mean the 15-year effort put into Westway that came to naught.

Mr. **Diamond**. It could lower the cost to the Government overall because the uncertainty factor would be removed.

Senator MOYNIHAN. All right. Now, let's be clear. Your Honor, I am not going to ask for your views on this matter unless you would like to offer any.

Judge BRIEANT. I could offer a very succinct retort.

Senator MOYNIHAN. Please, sir.

Judge BRIEANT. To save one year on this project, Senator, without violating my oath of office, I will carry the United States Code across those streets he is going to close, on my back.

Senator MOYNIHAN. Well, now, there is a statement of someone who wants this. November 3, 1989, is the target. I take it that you are just beginning to talk to each other about the particular device.

All right, I will not keep you any longer, but I am going to follow it, and you are going to keep us apprised because we are, I want to say again, as with respect to the Judiciary Building, this committee considers itself to be on its honor when we are asked to do something for the courts, because the courts cannot do anything to us. I mean, when the President doesn't like something, he bangs and bashes, and we bang and bash back, but that is not the condition of the "least dangerous branch," as I think Madison called it.

We have had a brilliant jurist propose to do a feat of endurance and gymnastic skill that rarely has been offered in the way of a measure of a statement of how much the court needs this done. We are going to do it. The City needs it. You are going to save money. We are going to create a nice big urban space. I just want you to know this committee wants to see it done and is going to be hugely celebratory of those who do and correspondingly disappointed and more with those who do not.

So we thank you and genuinely appreciate your coming up, Mr. Mayor, of course, Your Honor, and Mr. Diamond, Mr. Gold.

Mr. ESNARD. Thank you very much.

Senator MOYNIHAN. We thank you all. We have a deadline, November 3, 1989. It is ticking. Go!

Judge BRIEANT. Yes, sir. Thank you, sir.

Senator MOYNIHAN. May I make the point that the committee hearing is not concluded. We now return to Mr. Richard Austin, who is Acting Administrator of the General Services Administration, who will have heard this recent testimony from Mr. Diamond; and Mr. Richard Hauser, the newly appointed head of the Pennsylvania Avenue Development Corporation, and Mr. Brodie, who is Executive Director.

We return now to the first item on our agenda, the great enterprise of the International Cultural and Trade Center and Federal Office Building Complex.

Mr. Austin, we welcome you to the committee. I don't think we have had the privilege of having you appear before us yet.

Mr. AUSTIN. No, sir.

Senator MOYNIHAN. So this is the first time, and we are very happy to have you. You have a statement which we will place in the record, and you may proceed as you like.

STATEMENT OF RICHARD AUSTIN, ACTING ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION

Mr. AUSTIN. Yes, Mr. Chairman. Thank you for the opportunity to be here today, and I look forward to whatever tenure I might have as the acting Administrator, working very closely with you as we have in the past.

Let me, if I may, submit my previously presented comments for the record.

Senator MOYNIHAN. Would you excuse me, sir?

Are people in the back removing those models? Can we just leave that until this hearing is finished, if you didn't mind? I mean, we are having a hearing here.

Proceed, sir.

Mr. AUSTIN. If I may, Mr. Chairman, please allow my previously presented remarks to be entered into the record.

Senator MOYNIHAN. Certainly.

Mr. AUSTIN. I would like to deviate from that statement and make just a couple of brief statements and then present myself for any questions or answers that I might be able to provide.

Mr. Chairman, where we are today—and I have been working very closely with the Department of Justice, with USIA, with the ICTC and with the PADC to try to bring together what seems to be a thorn in the side of the project, and that is who will actually occupy the Government-held space within the ICTC.

As you might recall, as early as May 1, 1987, it was identified to this committee that Justice would in fact be the principal Federal occupant. At that time they were talking in the neighborhood of approximately 1.2 million square feet.

Justice began moving forward, and I am not here, Mr. Chairman, to be an advocate for Justice but to present a little historics and then perhaps what we perceive as possible solutions. Justice began preparing to effect a consolidation on some 20 different sites that they felt they needed to consolidate to improve efficiency, to get better space occupancy, and to improve overall operations.

The process moved on for some period of time until midsummer of last year, when initial concerns began to be presented by the ICTC Commission and by other individuals within the community as to the rightfulness or the purposefulness of Justice being housed within the facility.

At that point we became involved in trying to reconcile a number of concerns. We began looking first at what kind of cost savings were to be achieved by Justice occupying the ICTC. The initial estimate is that approximately $24 million through Justice's consolidation within the ICTC will be achieved. That is $24 million annually. And so it seemed to be that there was a weighty argument, if nothing else, in terms of efficient operation of Justice and potential cost savings.

We then began looking at several spins, if you will, to the partial consolidation of Justice, the partial consolidation of USIA, and we came up with three different spins. We wound up, Mr. Chairman, with a potential cost savings ranging from $24 million annually to approximately $14 million annually.

Having, if you will, met the litmus test of our initial concerns—and that is cost saving through consolidation—we than began discussions with the ICTC as to the purpose and nature of the Center and what they perceive that to be and the impact of either USIA or Justice on that.

I might add at this point in time that at the initial conception of the ICTC several years back, Mr. Golden did approach USIA and ask them to be the principal occupant, at which time the director indicated they were not interested in being the occupant.

Senator MOYNIHAN. Oh!

Mr. AUSTIN. Now, ergo, Justice coming in as perhaps the vehicle or stimulus to move this issue along.

So I think Justice does have a justifiable concern in where and what will be happening with them. I have had discussions with Justice where I have offered up, as I believe, Mr. Chairman, you are aware, and have endorsed the possibility of doing a consolidation of Justice within a delineated area of approximately three blocks around main Justice of a consolidation square foot of 800 to 1.2 million square feet, and at the same time, then, consolidating USIA into the ICTC.

With that proposal, even in a leased situation, the Federal Government will recognize at the threshold a $14 million a year savings.

So my position is that we ought to go ahead with the consolidation of Justice around Justice main within the three-block area in a leased-construct mode, giving Justice the lease administration of that facility, and consolidate USIA into the ICTC, recognizing the threshold of $14 million savings—incalculable at this point in time is the increased savings achieved by consolidating two agencies, one with 20 separate sites, one with approximately 12 separate sites—and move the project on along.

To that end, I have talked to the director-designate and with the current administration within USIA. They are prepared to sit down with myself, with Justice, and try to resolve this situation very quickly, and I am hopeful that, within the next week to 2 weeks, we might be able to achieve that.

Senator MOYNIHAN. Hey! Not bad, not bad.

Mr. Hauser, we welcome you to this committee for the first time, and not by any means the last.

It may be that you do not want to comment at length, or maybe you do, and Mr. Brodie can speak for you if you like. And so, welcome, sir.

STATEMENT OF RICHARD HAUSER, CHAIRMAN, PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION, ACCOMPANIED BY JAY BRODIE, EXECUTIVE DIRECTOR, PADC

Mr. HAUSER. Thank you, sir. It is a pleasure to be here.

Senator MOYNIHAN. I only meant to say that you are 48 hours in your new position.

Mr. HAUSER. Yes, sir. I had not meant to correct my statement by changing "good morning" to "good afternoon." But I do have a prepared statement which I will submit for the record.

Senator MOYNIHAN. And it will be included.

Mr. HAUSER. I know that Mr. Brodie is well known to you, sir.

Senator MOYNIHAN. Jay surely is.

Mr. HAUSER. I would like just to simply advise the committee that great progress has been made, and some of those milestones are set forth in my very short statement.

In that regard, I would like to add that the credit for this progress is really due to the PADC staff and my predecessor, Henry Berliner. They, indeed, are due to the credit. Mr. Berliner has demonstrated great leadership at the PADC.

Senator MOYNIHAN. He certainly has. It is very gracious of you to say.

Mr. HAUSER. His shoes will be hard to fill, and I have enjoyed working with him.

In that regard, if you have some specific criticism of the PADC, I will be glad to pass that on to Mr. Berliner as well.

Senator MOYNIHAN. No, sir.

Mr. HAUSER. I do want to tell you that the project has been well advertised, that the 73 copies of the prospectus have been purchased.

Senator MOYNIHAN. Interesting.

Mr. HAUSER. Mr. Brodie has brought along a copy of that today.

Senator MOYNIHAN. Oh, is that the prospectus? Don't drop it on your toe.

Mr. BRODIE. It has a variety of enclosures.

Senator MOYNIHAN. Yes, 73, we assume no one buys one of these unless they are in the business of building things like this.

Mr. HAUSER. There is good interest in the project.

Senator MOYNIHAN. Yes.

Mr. HAUSER. In addition to that, Mr. Brodie and Mr. Hadsell of GSA have met with some of the interested parties. A number of questions have been raised. They have responded to those and are continuing to respond to those. We believe that our part of it is moving along quite well.

Some of the developers have indicated that they may need an extension of time, and there is some belief among the staff that a reasonable time extension would be warranted. It would not, in our view, delay the project.

We are interested in a resolution of the tenancy interest because of its impact on the design aspects of the project.

Senator MOYNIHAN. Well, could I just presume to interrupt you there? How can you get a design proposal until you have told your developer who is going to be in there? Don't we need to do that for you?

Mr. HAUSER. Yes, and maybe Mr. Brodie would like to elaborate. But you heard some of the suggestions this morning, and when you have sophisticated telecommunication systems and theaters, and so forth, that obviously impacts greatly the cost and the design of the project.

Jay, do you want to add something?

Mr. BRODIE. Just, Mr. Chairman, that we do very much need it resolved. I guess in all views, we expected that it would have been resolved by now.

Senator MOYNIHAN. You had thought it would be resolved by now?

Mr. **Brodie**. Yes, we did. So what we did——

Senator **Moynihan**. Could I just ask, Jay, what do you say in your proposal, your request for a proposal?

Mr. **Brodie**. In this proposal, we say two things. One, here is the housing plan, which was the same as the GSA developed and was reviewed by your committee and the House committee over the summer, but that this plan is not final and is subject to being revised.

Senator **Moynihan**. Ah, I got you.

Mr. Austin.

Mr. **Austin**. Mr. Chairman, if I may, pursuant to the MOU between former Attorney General Meese and former Administrator Golden, we have asked, and the PADC has granted that request, that we move forward under the assumption that the initial occupancy will be Justice.

At the point in time the next offerors come in, we will, hopefully, have that resolved and can be more specific in what we are going to have in that facility.

Senator **Moynihan**. Mr. Hauser, I interrupted you.

Mr. **Hauser**. Yes, sir. Just one comment that I wanted to make with respect to the tenancy issue, and really, this is for the record.

Senator Percy indicated this morning that the PADC had taken an action sort of affirming the view or the recommendation of the ICTC. The PADC did take an action, which was a sense of the committee that to the extent that those goals could be accommodated, they wished to do it, to the extent practicable. There is a slight nuance there that I thought—and it may not be so slight—but the committee should be aware of that.

Senator **Moynihan**. All right. Good.

Mr. **Hauser**. We are obviously very interested bystanders and interested in participating in any way we can to bring this to resolution.

Senator **Moynihan**. Sir, I would use a larger term than "bystander." You are a participant, and Congress intends that you be.

Mr. **Hauser**. Indeed.

Senator **Moynihan**. All right, I think that I have heard pretty promising things from you, haven't I, Mr. Austin?

Mr. **Austin**. Certainly, Mr. Chairman, you have our commitment to try to bring a speedy resolution to this. Much will depend obviously, sir, on the ability to sit down with the Attorney General, the new director of the USIA, the existing staff of USIA——

Senator **Moynihan**. Mr. Galb is the nominee, and I will be seeing him.

Mr. **Austin**. Yes, sir. I have already communicated with him.

Senator **Moynihan**. You have done so?

Mr. **Austin**. Yes, sir.

Senator **Moynihan**. Would you tell him that when he comes by I would like to talk about this?

Mr. **Austin**. I certainly will, sir.

Senator **Moynihan**. We just want to be of help here. These people are transparently well intentioned. We have a resource. We have to allocate it, use it to its best—we have enormous potential here. Let's not get hung up on that most important issue in Government, which is office space, I am aware.

Well, the second most important.

Do you know how the Pennsylvania Avenue Devlopment Corporation came into being? It was entirely pure chance. It was a Cabinet meeting of the Kennedy Administration in the spring of 1961. I cannot say it with absolute certainty, but as I heard it, Dean Rusk, the Secretary of State, was called out of the room, and for the first time in the history of the administration, the discussion of foreign policy ceased, paused, whereupon the next important issue in Government came surging to the fore, which is office space.

Out of that was created the Ad Hoc Committee on Federal Office Space, and in the proposal of the report of the Ad Hoc Committee, which it happens I wrote, we called for the redevelopment of Pennsylvania Avenue. If Dean Rusk had not been called out, we might not be here to this day.

But let us not underestimate the difficulty of resolving this, but let us also in that measure determine that we will do it.

The committee is available to you at any time. Mr. Hauser, we would like you to know that you are always welcome on our Hill. Our door is always open if you want hearings or anything like that. We congratulate you on your accession to this very important position.

Jay Brodie, you are staying on?

Mr. BRODIE. Yes, sir, I believe.

Senator MOYNIHAN. That is a condition of any such activity.

Mr. Austin, again we thank you.

Do we have a sort of general understanding here? It is going to take you a few days to get yourself completely on top of this. But remember, you are not an observer; you are a participant.

Mr. HAUSER. You are absolutely correct. "Bystander" was an incorrect word, I agree. We are very much interested and a participant in this.

Senator MOYNIHAN. Well, in that case we will strike the word "bystander" from the record and replace it with "participant."

Mr. HAUSER. Thank you, Mr. Chairman. I look forward to working with you and the members of your subcommittee and staff.

Senator MOYNIHAN. You are very kind.

Gentlemen, we conclude our hearings this morning.

We thank our audience, which has been very patient and very helpful. We thank our most indefatigable recorder, and we look forward to the resolution of a number of these matters.

[Whereupon, at 12:42 p.m., the committee recessed, to reconvene at the call of the Chair.]

[Statements submitted for the record follow:]

TESTIMONY BY
SENATOR CHARLES H. PERCY
BEFORE THE
SENATE COMMITTEE ON EVIRONMENT AND PUBLIC WORKS

FRIDAY, FEBRUARY 3, 1989

Good morning, Mr. Chairman, and members of the committee. It is a great pleasure to be with you this morning in my capacity as Chairman of the United States International Cultural and Trade Center Commission. This is my first testimony since leaving the Senate in January 1985.

Having a lifelong involvement in foreign trade, for 28 years as a businessman and also during my 18 years in the Senate, I take this responsibility for promoting world trade, increasing cultural exchange and helping to globalize and internationalize the United States marketing efforts very seriously. This committee is to be congratulated for its leadership in launching such a unique and creative enterprise and I agree with President Reagan, who in his letter to me on April 13, 1988 said, "America faces no more important challenge than improving its competitive position worldwide. The International Cultural and Trade Center, under your leadership, will become an important symbol of our national resolve -- public and private -- to meet this challenge head on in a constructive, mutually beneficial manner."

I am proud now to introduce the other private sector members of the Commission who were able to join us this morning. First, I am joined at the table by the Commission's distinguished Vice Chairman, the Honorable Harry C. McPherson. As you know, Harry played an important part in bringing this exciting project into being when he served as President of the Federal City Council. We also have with us the Honorable Michael "Mickey" Gardner attorney, Mr. Abe Pollin entreppreneur and Mr. Jud Sommer finance executive Mr. Donald Brown, developer, who also played an important role in the early days of this project, is out of town today and could not be with us. But these Presidential appointees plus nine ex officio members representing key Cabinet and sub-Cabinet agencies have been hard at work since last April 29th, when the Commission first met, organizing and putting the initial program in place. The Presidential appointees are appropriately bi-partisan -- three Republicans and three Democrats -- and we are working together hard and well. Our Cabinet members have each attended at least one meeting and as often as not, when they could not be present, they were represented by the Deputy Secretary or the equivalent. Our legislation provides that we must meet three times per year. In the past nine months we have met formally eight times and approximately ten times informally. In short, I am happy to report that we are off to an excellent start with the Commission.

This morning, I will simply describe some of the programming concepts that are being developed for the Center -- both for the long and short term -- and, then ask for your counsel and assistance in resolving several items which may require legislation.

Mr. Chairman, for a number of reasons, America has an extremely serious trade problem. We are importing more than we are exporting by more than $10 billion a month. And although significant progress was achieved in 1988, most experts feel that it will be extremely difficult to sharply reduce the deficit in 1989. Just what combination of policies can begin to bring our exports and imports into balance in the relatively short-term is a proper matter for debate. But in the long run it is clear that America needs to strengthen its commitment to trade and to actively and aggressively involve more Americans in the process. Today fewer than 200 companies account for over 80 percent of all of our exports. Americans must become more export and foreign trade conscious. And that, Mr. Chairman, is where we feel the new Cultural and Trade Center can make its most significant contribution. We see as our central mission elevating the level of awareness of all Americans as to the importance of trade to their individual and collective well-being. And since trade and cultural understanding are so inextricably bound together, the Center's proposed programs are designed to not only inform our people on the nuts and bolts of trade but to provide that information in as rich a cross-cultural setting as is humanly possible. Only by understanding other cultures -- their customs, their needs and their desires -- can we truly expect to increase the goods and services which we sell abroad. We intend to build on the excellent start underway with the Department of Commerce, "Export Now" program and the Small Business Administration's (SBA's) nine conferences that have been held across the country with the full support of AT&T.

o A One-stop Trade Information Center -- where it will be our goal to be able to answer 90 percent of all of the questions that business executives might ask about getting involved in and strengthening their foreign activities. And we would arrange through the Center to help the prospective trader get the answers to the other 10 percent of his questions. This will be a public-private partnership involving federal resources from Commerce, Agriculture, the Trade Representative, the Export Import Bank, Customs the Small Business Administration and a host of other departments and agencies, as well as international organizations such as the World Bank and the IMF and private sector groups such as the U.S. Chamber of Commerce, the National Association of Manufacturers and others. Just one example: The Department of State would issue passports at the Center and those foreign nations requiring visas could issue them at the Center, saving days of cross-town travel.

o A Trade and Cultural Conference Center -- where actual trade negotiations as well as conferences and meetings will take place. We hope to use the newly renamed Mellon Auditorium which will be interconnected with the Center as a principal meeting hall for this activity. These facilities will be full equipped with translation services and information systems.

o An Education and Training Center -- where business people can learn how to trade and how to win friends and markets overseas. Courses would b e taught on trade policy, trade finance, trade operations, area studies and language. Working with existing institution we believe it will be possible to provide thousands of business men and women with badly needed training each year. In addition we hope to work with groups such as the Close Up Foundation, the great universities, institutions and "think tanks" uniquely located in the Nation's Capital to provide learning experiences for thousands of students and young people each year.

o A Reception Center -- where those countries which lack adequate facilities or all others who wish to can host a state dinner with appropriate decorum and security. Also, we envision a club facility as part of the reception center where government officials, diplomats and the international trade community can meet and entertain one another.

- Chancery annex office space -- where commercial attaches, consular officials, cultural attaches, trade and other missions as well as representatives offices from international organizations and from each of the 50 states and territories will maintain information offices.

- An International Exhibit Center -- where each of the regions of the world will be represented with a permanent exhibit area featuring a major attraction designed to showcase that part of the world. Around the central attraction, countries will be allowed to have exhibits which promote their culture, their trading interests and tourism. In addition, more than 30,000 square feet of exhibit area will be reserved for special showings of artistic, cultural or trading significance. This area might be used in conjunction with a particular visiting dignitary or it might also be used by institutions such as the Smithsonian or the National Gallery for appropriate international functions.

- An International Bazaar -- where merchandize and foodstuffs from around the world will be available for sale. Roughly 130,000 square feet have been reserved for this function which would make it roughly equal to the Shops area in the Marriott Hotel complex and a little larger than the expanded retail area in the Old Post Office. We believe that the combination of exhibits and bazaar will be an important international learning experience for millions of Americans who have not had the opportunity to travel or experience these things first-hand.

- And, finally, -- An International Performing and Cinema Arts Center -- where the world's great artists and more specialized attractions can be presented on a regular basis. We have planned a 1500-2000 seat performing arts theater that could be available for the celebration of each country's "National Day," two film theaters, a rehearsal hall which could also be used for special presentations and a IMAX or special film facility where the trading equivalent of the Smithsonian's "To Fly" would be playing constantly.

And, Mr. Chairman, I should point out that the reciprocity provisions of the Foreign Missions Act which I was pleased to co-sponsor would apply to foreign government activity in the Center. In other words, as we provide space to service the needs of foreign governments, we will have the right to seek similar accommodations or some other quid pro quo for our activities in those countries.

Mr. Chairman, we believe that this combination of facilities in conjunction with compatible U.S. Government office space such as the State Department's Passport Office, U.S.I.A., (which would include World Net and the Voice of America from which visiting Chiefs of State could conveniently televise and/or broadcast to their own countries), the Woodrow Wilson Center, parts of the departments of Commerce and Agriculture will make for precisely the kind of internationally focussed program which this country so badly needs. My only regret is that it will take us approximately five years to have the building and these programs ready to go.

In the meantime, though, we have already offered to work with the Bush Administration to see what kind of programming we can do that would both help America's trade situation and set the stage for the more comprehensive programming we will be able to undertake in the future. For example, we are exploring the possibility of hosting a major conference of top business leaders in what we are calling an Export Mobilization Conference later this Spring. We would hope to undertake many such conferences and educational programs each year until the Center opens in 1994.

As you can see from this listing of programming concepts, we have been very active during the past nine months, Mr. Chairman, and we will be even more active in the months ahead. I want to compliment the Commission members for their support. I also want to thank the hundreds of volunteers from Roger Stephens and Ambassador Wachtmeister, to many lesser known but terribly knowledgeable people who have helped with this planning. And, of course, I want to state for the record how much we have enjoyed working with our partners in this enterprise -- the Pennsylvania Avenue Development Corporation and the General Services Administration. Hank Berliner has been a superb chairman of PADC and we look forward to working closely with Mr. Richard Hauser, the new chairman, in the future. The Acting Administrator of GSA -- Dick Austin -- has been extremely helpful to us as has been his National Capital Regional Administrator Dick Hadsell.

Next, I would like to suggest some areas where we need some help from the Committee and from the Congress in order to develop the Center to its full potential. First, it is necessary to resolve quickly the matter of the Federal tenancy. As you know, there apparently was some misunderstanding at the time this legislation passed Congress as to whether the Department of Justice was to be accommodated in the Center as the major tenant. Attorney General Meese and then GSA Administrator signed a memorandum of understanding in March 1988 that would have given nearly all of the Federal office space in the Center to the Department for consolidation of its operations. As I mentioned earlier, the Commission did not come into existence until April 29, 1988 so it was not a party to this agreement. As soon as the Commission was advised as to the nature of the agreement, it voted overwhelmingly to seek USIA as the principal U.S. tenant and to help the Justice Department consolidate elsewhere in the City. You and the leadership of this Committee as well as the leadership of the House Public Works Committee and many other key Congressmen and Senators have come forward to firmly support the ICTC Commission on this matter, but to date the issue is unresolved.

We believe that GSA Director Austin has done all that he could to accommodate the Department but so far without success. The Department of Justice has not seen fit as yet to consider other alternatives. Needless to say we believe that the Center cannot succeed in its mission if space in the Center is occupied to any significant extent by the Department of Justice. Foreign governments simply will not participate with us in this endeavor under those circumstances any more than we would if some government were to present us with a similar offer. The Justice Department, on the other hand, does need to consolidate its activities, and anything the Committee can do to help the Department get consolidated will be appreciated.

We will also need the Committee's help this year with some corrective amendments to the enabling legislation. Many of these were anticipated by the Committee at the time the legislation was being considered. For example, it was impossible to know at the time just how the Commission would wish to organize or what level of funding it would require. As an interim step, a limitation of 15 staff positions, only ten of which could be direct hires, was imposed until the Commission could get organized and describe what would be required to operate. Likewise, an annual limitation of one million dollars to be provided through reprogrammings by our constituent agencies was established as a spending ceiling. Although the Commission can live with these ceilings through September of this year, it is clear that we will need relief to operate effectively next year. We have a management study underway to determine just what staffing and financial needs are anticipated. Peat Marwick is working with us on this and we would expect to be able to share the results within a couple of weeks. Preliminarily, I would expect that we will b e asking for a small appropriation annually until the Center is established and able to sustain the Commissions' activities.

I also suspect that we will want to operate the day to day activities of the Center more like the Kennedy Center or the Smithsonian, as a non-profit entity rather than as a government agency. I would anticipate recommending that the Commission be retained to set policy and to account for Federal funds, but that a non-profit be chartered to handle daily operations. It is our belief that the many business and artistic decisions that the Center will have to make can be better accommodated in that manner.

I also feel that consideration should be given to adding the Secretary of Treasury and the Secretary of Labor to the Commission as ex-officio members. These two important Cabinet officers are key resources for us in planning our trade programs.

Finally, the limitation of ICTC activity to 500,000 occupiable square feet should be removed. The limitation was intended to assure that federal office space would be the predominate use of the building and that objective will clearly be met. It will simply make program planning and future operations smoother, if we can be guided by project needs rather than by an arbitrary space allocation.

Once again I want to commend you Mr. Chairman for your leadership on this important initiative and I hope you share with us the excitement we feel that the Center offers a long term solution to the problem of how to deal with the trade crisis and make America truly competitive once again.

We look forward to working with you and your staff in shaping the necessary legislation for your consideration early this year.

My fellow Commissioners and I will be happy to respond to any questions you may have.

Thank you.

[From the Washington Post]

WHY THE TRADE DEFICIT WON'T IMPROVE

TRADE PROBLEMS END BUSH'S ECONOMIC HONEYMOON

(By Stuart Auerbach)

President Bush's honeymoon on the trade issue ended two days before he moved into the Oval Office.

Figures released by the government on Jan. 18 confirmed what many economists had feared: The export-driven improvement in the massive U.S. trade deficit, which started late in 1987, is stalled, and no shrinkage is in sight. The deficit, many experts fear, is likely to remain at more than $100 billion in the foreseeable future.

That analysis not only crushes Bush administration hopes of lowering the trade deficit from its expected 1988 level of about $137 billion, but could put a serious crimp in U.S. economic growth.

The impact of lower exports in the last half of 1988 surfaced in the fourth-quarter gross national product figures, released Friday, showing growth of only 2.0 percent. It was a marked contrast to the strong surge of exports in early 1988 that was given credit for half of the nation's 3.0 percent annualized GNP growth in the second quarter of the year.

Economists, looking past the November figures, see a pattern in the monthly U.S. trade numbers since spring that paints a grim picture of America's international economic position.

Imports remain at high levels, while exports, which had grown at a 40 percent rate in the first three months of the year, slid back to a 10 percent growth rate in the third quarter.

Further, the deficits with major trading partners such as Japan and West Germany, which had decreased early in 1988, were climbing again by the summer. And, adding to the 1989 deficit, the cost of oil imports is expected to grow this year as the price of oil rises and U.S. dependence on imported oil grows.

Thus, it appears that once again trade will drag down the U.S. economy.

"Progress not only has stopped, but deterioration has set in," said Robert A. Brusca, chief economist of Nikko Securities of New York. "We're past the stalling phase. We have been driving the car uphill and it stalled. Now we are starting to backslide."

Other economists don't go as far as Brusca in believing that the gap between what U.S. companies buy overseas and what they sell in foreign markets will begin to widen this year. But many believe that is a possibility, and most think that the trade deficit will definitely begin to widen in 1990.

"It's a technical impossibility to lower the trade deficit more than 10 percent below current levels." said David D. Hale, chief economic of Kemper Financial Services Inc. of Chicago.

This bad news on the trade front poses tough new problems for Bush even before his full economic team is confirmed by the Senate and is ready to deal with them. Further, it may intensify pressure on Bush to reverse his campaign promise and allow a tax increase—on the ground that it would cool domestic demand and cut down on the volume of imports, as well as help reduce the budget deficit.

"Import volumes have failed to stop growing," said Stephen S. Roach, an economic analyst with Morgan Stanley & Co. Inc., who long has believed that U.S. consumers and companies will have to slow down their purchases of foreign goods to make any lasting change in the trade deficit.

"The only thing that will help with imports is cutting down demand," he said. "The burden falls on the Federal Reserve Board" to slow the economy by allowing interest rates to go up.

"We've got to have a whole new dollop of policy changes," said C. Fred Bergsten, director of the Institute for International Economics.

"This shows the absolute need to cool down the economy," said Stephen D. Cohen, professor of international economics at American University. "The economy is overdoing it. We've got to throw a little bit of cold water on it."

Cohen's prescription is a tax increase, something Bush has vowed repeatedly not to do. Cohen said an increase in excise taxes, especially on such nonessential items as cigarettes and whiskey, would slow the economy and curb demand for foreign products without throwing the country into a recession.

But slowing the economy to help the trade deficit, with a tax cut or through some other method, poses a riddle for Bush. He needs robust economic growth to deal with the budget deficit, the second of the twin towers of sky-high deficits bequeathed him by former president Reagan. A strong economy products greater tax revenue, which help trim the budget deficit without increasing tax rate, adding new taxes on instituting more stringent spend cuts.

"Mr. Bush has a devil of a problem," said Walter Joelson, chief economist of General Electric Co.

Jerry Jasinowski, executive vice president of the National Association of Manufacturers, to more optimistic than most of his fellow economists. He agreed that the improvement in the trade deficit has slowed down, but said exports will continue to be strong this year and will add $15 billion to GNP growth—half of last year's impact.

Overseas, the expected failure of the trade deficit to keep shrinking at the 1988 pace will confront the finance ministers of the industrialized world, who meet here this week, with the dilemma or whether to continue allowing the dollar to remain at its present level relative to other currencies, or to try to force it lower.

A lower dollar makes U.S. products less expensive overseas, and therefore more competitive internationally, while increasing the price of foreign goods in this country. But letting the dollar fall too far too fast can hurt the U.S. standard of living and destabilize global financial markets.

In 1987, then-treasury secretary James A. Baker III agreed with finance ministers of other industrialized nations to stem the two-year-old fall of the dollar out of fear that it was dropping so fast that a continued decline would trigger a recession and a sharp increase in interest rates.

That agreement, Bergsten said, stabilized the dollar "too soon" to help improve the U.S. trade deficit fully.

While the action succeeded in keeping the economy on an even keel, Bergsten said "it stopped the competitive improvement" of U.S. products oversea. "That stability is now turning into a negative." added Allen Sinai, chief economist of the Boston Co. and Economic Advisors Inc.

The so-called G–7—composed of the United States, Canada, France, Britain, Italy, West Germany and Japan—stabilized the dollar after its value had fallen about 50 percent from its 1985 peak in comparison with currencies of major trading partners.

"That's one reason the trade deficit stopped going down. We are pretty close to having exhausted all the gains" for U.S. farmers and businessmen as a result of allowing the dollar to fall in 1985, Bergsten said.

"The thing that cause the trade deficit was the huge run-up in the dollar [before 1985]. Now I have to say we need a sharp decline in the dollar to reverse it," said GE's Joelson.

Despite a string of troublesome economic reports since the election, including November's worse-than-anticipated trade figures, the dollar has increased in value by about 5 percent since Bush won the presidency. The Dollar has risen even though central banks of industrial nations have attempted to curb the rally, but few economists believe the buoyant dollar will continue through the year.

"The U.S. dollar is likely to drop to new lows during 1989, but the process will not be smooth and gradual. Rather the dollar's adjustment is likely to be choppy and punctuated by occasional countertrends," Hale said.

This week, finance ministers of the G–7 nations come to Washington to meet with the new administration. They are expected to say little about the dollar but will continue to warn the United States that it must cut its budget deficit to get its fiscal house in order.

While stronger-than-expected growth in West Germany and Japan helped U.S. exports last year, that growth pattern is not expected to continue in 1989. The early-1988 improvement in the U.S. trade balance with those leading partners already has begun to slow. Japan, for instance, posted a wider trade gap with the United States in December, according to figures released in Tokyo a month before the U.S. government numbers come out here.

Japan, with a $50 billion trade surplus with the United States for the first 11 months of 1988, showed a slight $5 billion improvement over the year before. But that improvement is unlikely to continue.

Japan seems to have followed the Reagan administration's advice to increase its domestic consumption, so its economy would lose some of its dependence on overseas sales. It worked in one sense: The thrifty Japanese turned into a consumer society. But its export machine kept selling overseas—maintaining its market share as companies reduced costs to preserve their price advantage in the face of a rising yen.

So with Japanese Prime Minister Noburu Takeshita coming here this week, Bush will have to figure some new strategy for dealing with the trade deficit, which is a persistent irritant in otherwise harmonious U.S. relations with Japan.

While the slowdown in the improvement in the trade deficit is just now surfacing, the slowdown in exports actually occurred in the midst of the election campaign. Luckily for the Bush campaign, they did not become obvious until after his victory because of the normal, 1½-month lag in reporting monthly trade data.

Trade, in fact, never became an issue in the campaign despite record-high trade deficits during six straight years of the Reagan presidency.

"It looks as if Bush lucked out," said Joelson. "But the guy who really lucked out was Reagan. I've never seen a guy with such economic luck."

STATEMENT OF

L. RALPH MECHAM, DIRECTOR

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS

BEFORE THE

SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION, AND INFRASTRUCTURE

OF THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

U.S. SENATE

FEBRUARY 3, 1989

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to come before you today to discuss the new building for the Federal judiciary, to be constructed on Capitol grounds.

Let me first say, Mr. Chairman, that the entire judiciary is grateful to you and your colleagues for your efforts in securing the enactment of Public Law 100-480. We look forward to the day when the Judicial branch support agencies will be consolidated in one building that will be constructed without appropriated funds, and whose ownership will revert to the Government at the end of a specified period of time. That building, located near the Supreme Court, will eliminate the dispersion of personnel throughout the city and improve crowded working conditions, leading to a more efficient and less costly operation.

Since enactment of Public Law 100-480, we have worked closely with the Architect of the Capitol in the preparation of the Request for Revised Proposals and the subsequent review of the excellent proposals from the five developer-architect teams. The developer-architect team of Boston Properties and Edward Larrabee Barnes and Associates, which has been provisionally selected, was the unanimous choice of the jury convened by the Architect of the Capitol to assist him in making his selection. It is a selection that the Chief Justice heartily endorses as you will see from his enclosed letter of January 13, 1989, to George White, Architect of the Capitol.

WITH THE SELECTION OF A DEVELOPER-ARCHITECT TEAM, THE FIRST STEPS HAVE BEEN TAKEN IN THIS MONUMENTAL PROJECT. I COMMEND THE ARCHITECT OF THE CAPITOL AND HIS STAFF FOR THEIR EFFORTS TO DATE AND LOOK FORWARD TO OUR ONGOING WORK TOGETHER. AND, THERE IS MUCH WORK TO DO, IN A VERY COMPRESSED TIME SCHEDULE, I MIGHT ADD.

WE ARE IN THE PROCESS OF PREPARING THE TENANT BLOCK ASSIGNMENT DRAWINGS AND GENERAL STAFFING INFORMATION, PLUS DESIGNATING SPECIAL FEATURES, SUCH AS ELECTRICAL, AIR CONDITIONING, AND STRUCTURAL. THIS INFORMATION IS NECESSARY FOR THE ARCHITECT OF THE CAPITOL TO NEGOTIATE WITH BOSTON PROPERTIES ON THE DEVELOPMENT AGREEMENT, MASTER LEASE, AND GROUND LEASE. THESE NEGOTIATIONS WILL TAKE PLACE DURING THE NEXT FIVE MONTHS. THE SAME ARCHITECTURAL CONSULTANTS THAT THE ARCHITECT OF THE CAPITOL HAS BEEN USING THROUGHOUT THIS PROJECT WILL BE ASSISTING THE JUDICIARY IN DOING THIS PRELIMINARY WORK. IT IS FORTUNATE THAT THERE WERE SOME FUNDS LEFT OVER FROM THE INITIAL STUDY ON THE CONSTRUCTION OF A JUDICIARY BUILDING TO COVER THIS EXPENSE.

THE CHIEF JUSTICE HAS APPOINTED TWO DISTINGUISHED JUDGES TO SERVE ON THE COMMISSION IN KEEPING WITH SECTION 7 OF PUBLIC LAW 100-480. ATTACHED ARE LETTERS OF APPOINTMENT TO D.C. DISTRICT JUDGE THOMAS P. JACKSON AND JUDGE PAULINE NEWMAN OF THE FEDERAL CIRCUIT COURT OF APPEALS.

Mr. Chairman, on behalf of the Judiciary, once again, I thank you for your efforts in turning this public-private partnership concept into a reality. We look forward to working with the Architect of the Capitol and his staff to see this project through to successful completion.

This concludes my prepared remarks. I would be pleased to respond to any questions you or members of the Subcommittee may have.

UNITED STATES SENATE
Committee on Environment and Public Works
Subcommittee on Water Resources,
Transportation and Infrastructure

February 3, 1989

Statement of Hon. Charles L. Brieant, Chief Judge
United States District Court, Southern District of New York

Thank you very much.

Mr. Chairman, and distinguished Senators, members of the staff, I am Charles L. Brieant. I am Chief Judge of the United States District Court for the Southern District of New York, the largest and oldest district court in the country. We will begin our Third Century of federal judicial service in New York City later this year, on November 3, 1989.

Mr. Chairman and distinguished Senators, I am indeed honored to be here today, and I welcome the opportunity on behalf of our Court to bring you up-to-date on this very important construction project.

I am gratified and pleased beyond measure by the fine level of cooperation which has been displayed so far between the officials of the City of New York, the GSA representatives, including Mr. Diamond, who is here today, and the courts, in which I include our own district court and the Second Circuit Court of Appeals. Because I am required to devote at least a portion of my time to the trial of cases, I do not attend all of the meetings, but the federal courts are fully represented at all times by Mr. Clifford Kirsch, our District Executive, who is here with me today, and other members of my staff.

Of course, there are many challenges derived from the innovative manner in which we are proceeding with this project--some are small, and some are large, but I get the impression that with this distinctive aura of good will and cooperation which we have enjoyed so far, all these difficulties are on their way to a mutually acceptable resolution.

I fear, lest by enumerating some of these challenges in detail at this time, I might be inexact or I might jeopardize the ongoing efforts to solve them. So far as I can see, there is no present difficulty which requires the intervention of this honorable Committee. Of course, that could change tomorrow, and Mr. Chairman you may be sure that all participants, including myself, will be addressing ourselves to you for your assistance.

The Foley Square project calls for two new buildings to be erected on land that will be transferred from the City of New York. I will speak of our progress on the new Courthouse building and leave it to Mr. Diamond, our Regional Administrator for GSA, and Mr. Esnard, the

Deputy Mayor for Policy and Physical Development of the City of New York, to tell you of the progress on the Federal/Municipal building. You should understand, of course, that up to this time, both building efforts are progressing simultaneously, as a single project, as they must under the Memorandum of Understanding.

Between March 11, 1988 when this Memorandum of Understanding was signed between the City of New York and the United States Government, and September 30, 1988 when a Solicitation for Offers (SFO) was issued on the Foley Square project by the General Services Administration (GSA), a series of planning meetings were held on a regular basis between representatives of various city agencies and federal agencies. These meetings were held in order to draft specifications for the Solicitation For Offers and determine steps by which the project would satisfy federal, state and local regulatory prerequisites.

The Southern District of New York is one of the few district courts in this country which, because of its size, is fortunate to have on staff a full-time District Executive. The District Executive is the right arm of the Chief Judge and assists in all administrative functions. If it were otherwise, I would have no time at all to do my real job,--hearing cases. Mr. Clifford Kirsch, who is here with me today in his capacity as District Executive, and Mr. Steven Flanders, Circuit Executive for the Second Circuit, among others, have attended on behalf of the courts, all GSA and City of New York meetings involving the development of specifications for the new Courthouse and have been kept advised of developments relating to the entire project. In addition, GSA officials continue to meet with our court representatives and have kept them apprised of the progress of their work with the City of New York and interested parties.

The Court has sought most earnestly from the very beginning of this project to use as much forethought as is possible in order to eliminate surprises down the road, cost overruns, change orders and waste. We need this space very badly right now and do not want anything which should have been foreseen to waste precious time in the early completion of this project.

The Housing Plan for the new building was a prime example. When we got down to real figures and away from approximations, it became apparent that the 1984 United States Court Design Guide, adopted by the Judicial Conference of the United States, did not satisfy the current needs of the courts, nor, specifically, of our District Court with its own unusual needs and working conditions. In a timely fashion we sought and received approval of our own Board of Judges of the Southern District of New York, also of the Judicial Council of the Second Circuit, and then on September 22, 1988 at our request the Judicial Conference of the United States, approved upward departures from the Court Design Guide where necessary.

These departures were required in each case to provide adequate space in courtrooms and chambers to meet current and future operations in our locality, including adaptations for the mega-trials, which have become so prevalent. In 1988 there were eight criminal trials which lasted from three to 14 months;--five of those trials had seven or more defendants, and there were 26 defendants in one of the cases. These figures don't take into account the many criminal cases that take one to two months at a time....

It is not only the large, multi-defendant criminal trials that require large courtroom space--you can well imagine the number of attorneys and spectators who show up for a trial such as Westmoreland against CBS, or a Drexel-Burnham Lambert hearing or GAF. We have a large amount of multi-district litigation, such as the Bophal disaster case, in which there were 99 attorneys, plus management counsel, and the hearing had to be held outside of the Courthouse because we were unable to accommodate those numbers. We now give passes to the press in order to regulate the number of people attending court, and journalists are often unable to cover proceedings because of inadequate courtroom size, when they leave the room to telephone their newsdesk and lose their seats.

Our resident press corps is housed in space created in one of our hallways. Up until some time in 1985 we were able to assign a vacant room to the visiting press, but that too has been lost.

Some of our increased courtroom space is allotted for security purposes. Right now we have metal detectors and x-ray equipment outside of many of our courtrooms, with the attendant wiring criss-crossing the marble floors of the hallways while court security personnel sit on plastic chairs in front of our courtrooms entrances. Case files are stored in courtrooms and hallways during mega-trials. This clutter reflects a poor image for a deliberative judicial process and detracts from the majesty of the United States of America whose courts these are.

Another of the requested departures from the Design Guide was to allow for one courtroom of 3,600 square feet, which would allow all of our Judges to sit together for a proceeding. At the present time we can no longer fit the entire sitting bench in any of our existing courtrooms unless we use a picnic bench instead of chairs.

The Court Design Guide proposes interior courtrooms without windows. Those of you listening who are lawyers or have served on jury duty, can understand the importance of having windows in a courtroom, especially when a single trial now may last for more than a year. While the idea of interior courtrooms may reflect a need for security against terrorism in a low level courthouse building, this need is not so great in a tower. We propose having windows in the upper part of the room only. Also, we must look to the time when fuel oil, which provides electricity in the Northeast will again become scarce and expensive. The importance of conserving our natural light will then take on added economic significance.

On November 16, 1988 a pre-bid conference was held at 26 Federal Plaza which was attended by approximately 65 interested parties, consisting of developers, architects and financiers. Strong interest was shown from those attending. I will leave it to Mr. Diamond and Mr. Esnard to give you more of the specifics that came up at that meeting.

However, a truly serious issue involves the location, construction and configuration of a tunnel to connect the existing Landmark Courthouse with the new Courthouse and also with the adjacent Metropolitan Correctional Center in which pre-trial detainees and short-term prisoners are lodged. The City of New York is generally opposed to additional bridge crossings between buildings over public streets. There is also some question about whether or not another bridge could be attached to the present building which has Landmark status. We have therefore proceeded with the plan for a tunnel connection between or among the buildings.

Having had little success in obtaining descriptions of the many utilities beneath the street which the tunnel must cross, which may include part of the Old Collect Pond, filled in 1820, GSA took the initiative to put out a bid for an independent subterranean survey to be conducted. I understand the award for that contract will be announced within the week. The tunnel connection issue between or among the buildings involved must await the results of that survey.

The U. S. Marshal's Service currently brings prisoners into the current Courthouse by means of a bridge connection from the Metropolitan Correctional Center, which building is on the same side of the street as the existing Courthouse, and directly behind it.

While the need for a tunnel connection from the existing Courthouse to the new Courthouse is apparent, a tunnel connection from the Metropolitan Correctional Center directly to the new Courthouse, whether by means of a "Y" type of link, with a tunnel from the existing Courthouse, or a second, separate tunnel connection directly from MCC to the new Courthouse, needs still to be considered and decided upon.

There remains an open question regarding parking at the new Courthouse. The Memorandum of Understanding with the City of New York calls for city parking spaces to be replaced at both new building sites. Since the land parcel at the new Courthouse location is relatively small, and since there is a policy prohibiting public parking at least under the footprint of a federal building, there is little left on the perimeter to provide these required additional replacement parking spaces. However, since our new Courthouse will be adjacent to the New York County Supreme Court building, there is a possibility of using the land underground their outside perimeter to allow for some relief.

In order to make sure that we stay on top of the progress of the new Courthouse construction, we have sought to educate ourselves and along those lines our court representatives have already taken a day trip from Manhattan to Philadelphia, which has a fairly new courthouse, to meet with their people and get a first hand look at how modern construction has met the needs in a new courthouse. Our representatives have solicited drawings from Philadelphia, Birmingham and the proposed courthouse in Newark, New Jersey in order to keep abreast of current changes.

We too would like to see Senator Moynihan's wishes for a glorious, stately new courthouse come to fruition. Since there is no question any more about the need for a courthouse, we think that these goals can be accomplished and that the federal government could project an image to the public of dignity without waste.

As I said earlier, on November 3, 1989 we are planning a bicentennial celebration of the holding of the first federal court in the United States, and because it is a significant occasion, aside from the usual ceremonies, what better way to remember our past and look to our future than by breaking ground for the new Courthouse. At this time it is just an idea, but it seems to have enthusiastic backing from all concerned. With the continued enthusiastic cooperation of all participants, including the City of New York, I believe we will succeed.

It has been my pleasure to be here today, and I thank you all very much.

STATEMENT OF
ROBERT ESNARD
DEPUTY MAYOR FOR POLICY AND PHYSICAL PLANNING
CITY OF NEW YORK
TO THE
SENATE ENVIRONMENTAL AND PUBLIC WORKS COMMITTEE
SUBCOMMITTEE ON WATER RESOURCES
TRANSPORTATION AND INFRASTRUCTURE
2/3/89

STATEMENT OF ROBERT ESNARD
DEPUTY MAYOR FOR POLICY AND PHYSICAL DEVELOPMENT
CITY OF NEW YORK
BEFORE THE SENATE ENVIRONMENTAL AND PUBLIC WORKS COMMITTEE
SUBCOMMITTEE ON WATER RESOURCES
TRANSPORTATION AND INFRASTRUCTURE
FEBRUARY 3, 1989

Good morning, Mr. Chairman, members of the Committee. I am Robert Esnard, Deputy Mayor for Policy and Physical Development for the City of New York. It is a great pleasure and honor to appear before you today to discuss the Foley Square projects.

The Foley Square development is a major initiative in the heart of the New York City Civic Center in lower Manhattan. It represents an unusual and important opportunity to expand and shape the complex of governmental buildings that form the core of the historic Civic Center area.

In March 1988 the City of New York and the General Services Administration signed a Memorandum of Understanding that set forth the objectives for and the terms of development on these two sites. This agreement calls for the development of a new Federal Courthouse and a Federal/Municipal office building through an innovative technique used by the GSA known as an installment sales agreement. Rather than require immediate payment for the two sites, the City has agreed to accept long term occupancy of half the Federal/Municipal building at 290 Broadway through a lease in which the cost of the space has been reduced by the amortized value of the land. The City will occupy the space for its pro-rata share of construction and debt service costs. The initial thirty year lease term is to be extended at the City's option for up to three thirty year renewals at maintenance and operating cost.

In addition to being a financial partner, the Memorandum of Understanding calls for the City to participate in the selection of the developer(s) of the sites, as the City has a unique interest in the quality of the design of the buildings, and in the functionality and efficiency of the office building. During the initial stages of the project, this has meant that we have taken an active role in the development of the GSA's Solicitation For Offers, and other important aspects of site planning and development. As part of the working committee, we have engaged in extensive dialogue with the GSA on the physical requirements of the office building structural, mechanical, electrical, and other systems and standards. We have included important design guidelines for the prospective developers, and asked that each conduct site analyses from the standpoint of massing, open space, pedestrian and vehicular circulation, and security to ensure that the resulting site and building design is a functionally coherent, aesthetically strong addition to the distinguished group of buildings in the area. We have also independently initiated several zoning actions that will ease zoning compliance and site design for the chosen developer(s).

We have also asked that the proposers create an open space plan for Foley Square, including Thomas Paine Park in the center of Foley Square which is in woefully poor shape. This requirement will ensure that the sites will be part of an overall unified composition of government spaces, and will provide a blueprint from which we hope both the Federal and the City governments can work to create a showcase public park. To complement the work on Thomas Paine Park, the City was originally planning to beautify the grounds of the County Courthouse. I propose today that all the Court-related cars from the front of the existing Courthouses along Park Street be removed to the parking garage planned on the Courthouse site, and that the greening and beautification of the grounds of both courthouses be a part of the Foley Square project (see attached plan). This would bring significant new green, open space to the Square.

Once the offers are in, during the evaluation phase of the offering, the City will fully participate on the selection committee for the Federal/Municipal building, and will be participants as well in the selection of the developer and the design for the Courthouse.

The City has committed to bring the projects through the necessary City land use and environmental approvals. This would include approval of any special permits sought by the developer under zoning, as well as the authorization to sell the properties to the Federal Government.

Thus the City is a full partner with the GSA in the development of these sites, in financial terms, in design terms and in occupancy terms.

It has been a pleasure to work on this project with Bill Diamond, the people at the General Services Administration, and the people at the Federal Courts. We all have the same goal, to build the best possible structures as quickly as possible and we have been working wonderfully well as a team to that end.

Thank you very much for this opportunity to testify before the Subcommittee today. would be glad to answer any questions the Subcommittee may have at this time. Accompanying me is Commissioner Hadley Gold of the Department of General Services, his Deputy Commissioner, and another member of the Department of General Services who are also available to answer questions.

Figure 6a. Current Conditions, Foley Square/Centre Street

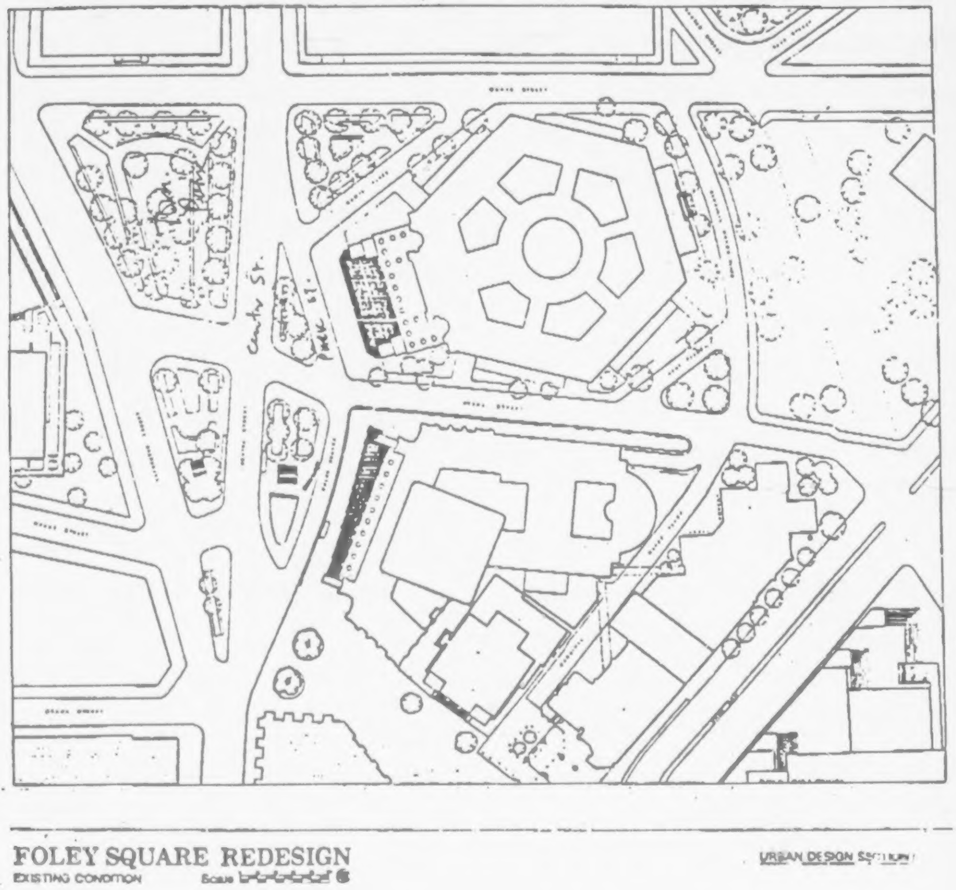
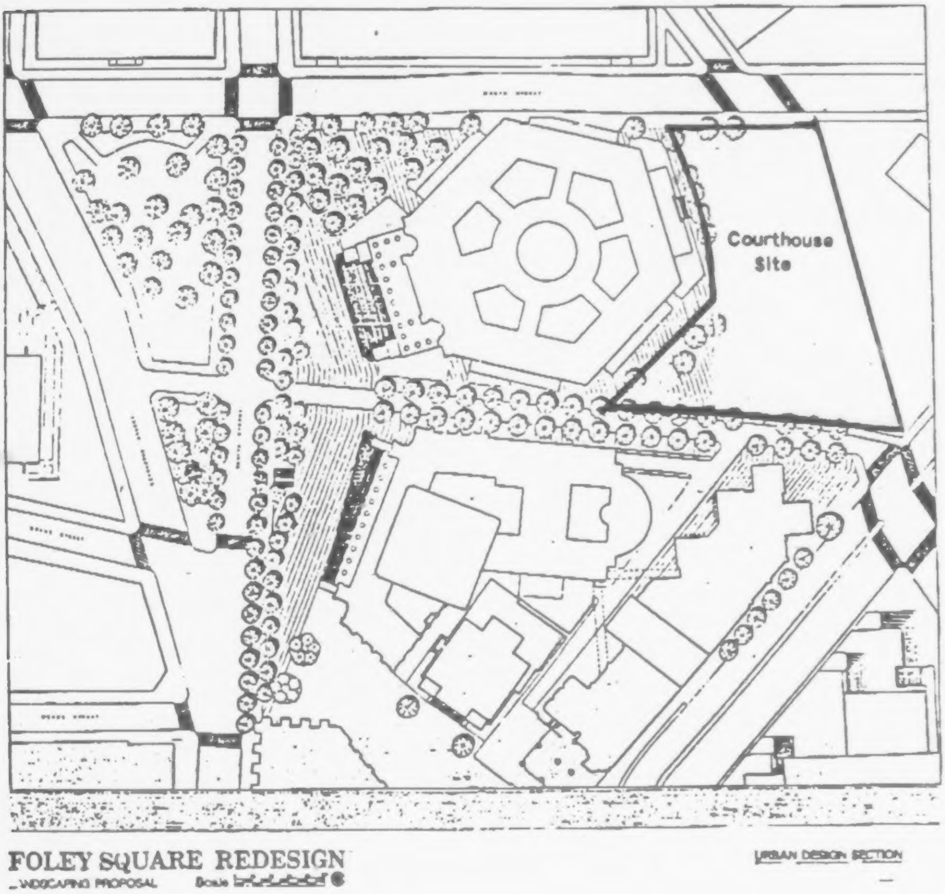

Centr St.
Park St.
FOLEY SQUARE REDESIGN
EXISTING CONDITION
Scale
URBAN DESIGN SECTION

Figure 5b. Proposed Redesign, Foley Square/Centre Street


Courthouse Site
FOLEY SQUARE REDESIGN
LANDSCAPING PROPOSAL
Scale
URBAN DESIGN SECTION

STATEMENT OF
WILLIAM J. DIAMOND
REGIONAL ADMINISTRATOR FOR NEW YORK
GENERAL SERVICES ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES,
TRANSPORATION AND INFRASTRUCTURE,
SENATE ENVIRONMENT AND
PUBLIC WORKS COMMITTEE
FEBRUARY 3, 1989

Good morning Mr. Chairman. I am William J. Diamond, Regional Administrator, Region Two, General Services Administration. I am pleased to appear before you today to discuss the progress on the Foley Square project.

The Foley Square project actually consists of two separate buildings. One, an 800,000 sq. ft. Federal-Municipal Building and the other a separate 800,000 sq. ft. facility to house the U.S. Courts and related agencies. The buildings are to be located on two different sites in the Civic Center area of Lower Manhattan. The projects, which total 1.6 million square feet plus parking and retail space, represent one of the largest office building development projects ever undertaken by GSA or any other government agency. The location in Lower Manhattan requires that the projects represent the best in architecture.

Notwithstanding the many challenges that this unique procurement presents, through the cooperative efforts of GSA and the City of New York we have made significant progress.

We believe that the procurement strategy we have developed will provide the Government with top quality buildings at a reasonable price. I want to outline that strategy so we understand how it has been tailored to deal with the unique features of the Foley Square project.

GSA established a management team at the regional level to oversee every aspect of this project locally. This team is headed by Alan Greenberg, a seasoned GSA manager who provides me with continuous updates on the project. The regional team is augmented by specialists in GSA's Central Office in the fields of finance, architecture and procurement. Our staff personnel has been augmented by the use of outside experts as needed on a contractual basis.

Our project team meets regularly with the City's project team to resolve problem issues and to receive technical input for the planning process. I personally attend monthly progress meetings with Mr. Hadley Gold, Commissioner, Department of General Services of the City of New York.

In September, 1988, GSA's Regional Office issued a Solicitation for Offers that presented the Government's functional requirements for the buildings. The design program portion of this solicitation included substantial input from the City. Offerors were requested to propose design solutions or concepts for the property as well as cost information detailing the proposed construction and financing terms.

Based upon input from the industry at a pre-proposal conference held November 16, 1988 we modified our original solicitation and extended the due date for offers from January 5, 1989 to February 9, 1989. We have since extended it again to February 23, 1989 to allow for an additional amendment which will assist potential offerors. We have had the property appraised and have also issued a contract for preparation of an Environmental Impact Statement. The first public hearing in this process is tentatively scheduled for February 22, 1989.

Offers from developers will be reviewed and evaluated through a two part process conducted by a Source Selection Committee on which the City will have representation. For the initial submissions, offerors have been requested to submit general design concepts as well as detailed documentation of their financial and design capabilities to complete a project of this magnitude. The design concepts for the two buildings will also be reviewed by a technical advisory committee comprised of some of the best architectural and construction talent in GSA. The submissions will be "shortlisted" and those offerors invited to participate in Phase Two of the process will be provided a stipend to further develop their proposals. During the second phase of the evaluation the committee will be assisted by a panel of distinguished architectural experts selected from the various segments of the architectural community. We are placing a great emphasis on the design solution for these projects. It is absolutely essential that these projects make the best possible architectural statement for the City of New York and the Federal Government. We believe our procurement strategy will accomplish that purpose.

Our procurement involves the City providing the necessary sites in exchange for long term use of 400,000 square feet in the Federal-Municipal Building. This arrangement provides us with the necessary land and provides the City with the opportunity to derive use from a valuable, underutilized asset.

Because no funds will be appropriated for the construction of the buildings, the design, construction and land acquisition will also be privately financed.

We believe we have designed a procurement strategy that will provide us with the best possible financing for project development. A project like Foley Square really involves not only the procurement of design and construction services but also the financing necessary to complete the project. As in residential construction, the necessary construction financing and permanent financing usually costs about twice as much as the project itself. It is essential, then, that the financing component of the procurement represent the state of the art in financial products.

We have worked with a broad representation of the development community to design a procurement system that will appeal to the most aggressive segments of the industry. The system we have developed has already been successfully tested on the Chicago Federal Office Building procurement. The Chicago project was recently awarded and we are very pleased with the results. The financing was arranged by the developer and the construction funding responsibility will also rest with the developer. This will provide substantial incentive to the developer to complete the project within both the schedule and the budget.

Proposals on Foley Square are scheduled to be received on February 23, 1989. We are hopeful of a broad, aggressive response. Once we are involved in the procurement process it will be essential to maintain tight security on data. Please be assured that we will keep you and the subcommittee posted on progress to the maximum extent we can.

That concludes my opening statement. I will be pleased to answer any questions that the Subcommittee may have.

STATEMENT OF

RICHARD AUSTIN

ACTING ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON WATER RESOURCES,

TRANSPORTATION AND INFRASTRUCTURE,

SENATE ENVIRONMENT AND

PUBLIC WORKS COMMITTEE

FEBRUARY 3, 1989

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE.

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU REGARDING THE INTERNATIONAL CULTURAL AND TRADE CENTER PROJECT. THE GENERAL SERVICES ADMINISTRATION BELIEVES THAT THIS VERY EXCITING PROJECT ACCOMPLISHES THREE VERY WORTHWHILE OBJECTIVES. FIRST, IT PROVIDES FOR THE COVERSION OF A 'FALLOW' PIECE OF GROUND TO A VERY EXCITING AND NEEDED PROJECT, SECONDLY, IT PROVIDES AN OPPORTUNITY TO CONSOLIDATE GOVERNMENT ACTIVITIES IN THE MOST ECONOMICAL MANNER, AND THIRDLY, IT WILL CONTRIBUTE TO THE CONTINUED REVITALIZATION OF PENNSYLVANIA AVENUE.

ECONOMIC CONSIDERATIONS AND THE OPPORTUNITY TO RELOCATE SCATTERED GOVERNMENT OPERATIONS CURRENTLY IN LEASED SPACE INTO A SINGLE, GOVERNMENT-OWNED FACILITY WERE THE MAJOR FACTORS IN THE SELECTION OF THE DEPARTMENT OF JUSTICE AS THE PRIMARY TENANT. CURRENTLY HOUSED IN MORE THAN TWENTY (20) LEASED LOCATIONS, WITH LEASE EXPIRATION DATES COINCIDING WITH THE AVAILABILITY OF THE ICTC, A JUSTICE CONSOLIDATION OF 1.1 MILLION SQUARE FEET WOULD RESULT IN YEARLY SAVINGS OF APPROXIMATELY $24 MILLION.

OTHER HOUSING OPTIONS CONSIDERED INCLUDED A CONSOLIDATION OF 800,000 SQ.FT. OF JUSTICE ACTIVITIES AND APPROXIMATELY 300,000 SQ. ST. OF U.S. INFORMATION AGENCY (USIA) ACTIVITIES. THIS WOULD YIELD A YEARLY SAVINGS OF APPROXIMATELY $19 MILLION. THIS IS LESS THAN THAT FOR A TOTAL JUSTICE CONSOLIDATION BECAUSE THE PREFERRED USIA ELEMENTS TO BE RELOCATED ARE CURRENTLY LOCATED IN GOVERNMENT OWNED SPACE.

ALTHOUGH THE USIA CURRENTLY OCCUPIES APPROXIMATELY 950,000 SQ. FT. OF SPACE WITHIN THE DISTRICT OF COLUMBIA, GSA AND USIA STAFF MEMBERS HAVE ESTIMATED THAT A TOTAL CONSOLIDATION OF USIA ACTIVITIES WOULD REQUIRE APPROXIMATELY 800,000 SQ. FT. OF SPACE AT THE ICTC. A CONSOLIDATION OF USIA AT 800,000 SQ. FT. AND

JUSTICE AT 300,000 SQ.FT. WOULD RESULT IN YEARLY SAVINGS OF APPROXIMATELY $14 MILLION.

ANOTHER FACTOR IN THE SELECTION OF JUSTICE AS THE PRIMARY TENANT WAS THEIR NEED FOR STANDARD OFFICE SPACE WITH A HIGHER LEVEL OF SECURITY. USIA WOULD REQUIRE MORE SPECIAL PURPOSE SPACE FOR STUDIOS AND BROADCAST FACILITIES, ETC, WHICH IF AMORTIZED WITHIN THE RENTAL STRUCTURE WOULD ADD TO THE COST OF THE PROJECT.

TO GIVE YOU AN IDEA OF THE IMPACT THAT ABOVE STANDARD ITEMS CAN HAVE ON THE PROJECT COST ...FOR EACH MILLION DOLLARS OF THESE COSTS ADDS APPROXIMATELY $100,000 PER YEAR TO THE ANNUAL RENT OR $3 MILLION OVER THE TERM OF THE LEASE.

PRESENTLY THE PROJECT IS ESTIMATED TO COST $461 AND BE DELIVERED IN AUGUST OF 1994.

AT THIS TIME I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE REGARDING THIS PROJECT.

STATEMENT OF RICHARD HAUSER BEFORE THE SENATE COMMITTEE ON THE ENVIRONMENT AND PUBLIC WORKS, SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION AND INFRASTRUCTURE/FEBRUARY 3, 1989

Good morning Mr. Chairman and members of the subcommittee.

As the recently-appointed Chairman of the Board of the Pennsylvania Avenue Development Corporation (PADC), I am pleased to join my colleagues from the International Cultural and Trade Center Commission (ICTCC) and from GSA to discuss Washington's most exciting development: the Federal Triangle/ICTC project. I am accompanied by Jay Brodie, PADC's Executive Director. Since Congress approved unanimously the Federal Triangle Development Act in August 1987, giving PADC the responsbility for taking the lead in this matter, we have been hard at work. And we have made great progress. Let me briefly review that progress with you:

- By April 1988, working closely with our colleagues, we had drafted the "Development Proposal" material called for in the "Act" and sent it, for the required sixty (60) day review period to GSA, ICTC, the National Capital Planning Commission (NCPC) and the Commission of Fine Arts.

- Following extensive consultation with each agency in June 1988, the PADC Board approved the Development Proposal and submitted it to Congress, two months ahead of schedule.

- After a number of staff briefings and discussions during the summer months, the Congressional Committees approved the "Development Proposal" in September 1988, except for the tenancy matter already discussed today. Subsequently, at it's September meeting, the PADC Board approved the Draft Prospectus, prepared by the staff.

- Working cooperatively, numerous questions such as those regarding building height and volume, open space requirements and parking have been amicably resolved.

- By the end of November, the Prospectus was made available, advertised in the Wall Street Journal, the Washington Post, and the National Real Estate Investor magazine. We have sold seventy-three (73) copies of the Prospectus to a wide variety of developers, architects, contractors and attorneys. Interest in the project is apparent.

- Executive Director Brodie invited all interested parties to an open meeting on December 16th, encouraging questions and comments; Mr. Richard Hadsell represented GSA and Mr. Ken Sparks represented ICTC. From that meeting and from other communications, we have recorded and responded to fifty-five (55) questions concerning the Prospectus material.

- The subsequent completion of the Development Objectives and Development Agreement, Master Lease and Ground Lease documents--again the result of extensive work by PADC, GSA and ICTC has resulted in a number of additional questions from interested competitors. We are considering the appropriate responses to each question, so that we can respond next week. We also plan to hold one or more open meetings if any further clarification is necessary or further questions are raised. Throughout this process, we believe that the questions and concerns that have been identified, may all be addressed within our usual procedures.

Given the complex nature of this project and the voluminous material that makes up the Prospectus, an extension of time has been requested by numerous developers; we believe that a reasonable extension would help assure high-quality proposals.

It would be very desirable, Mr. Chairman, if the Tenancy issue could be resolved in the near future, so that any changes to the current space plan could be defined specifically and sent out to all competitors.

Mr. Brodie and I would be pleased to answer any questions you may have regarding this innovative project.